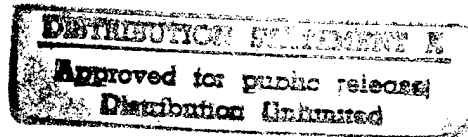


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19 August 1983



# China Report

ECONOMIC AFFAIRS

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19 August 1983

## CHINA REPORT ECONOMIC AFFAIRS

No. 374

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## NATIONAL POLICY AND ISSUES

### REPORT ON STUDY OF DENG ECONOMIC CONSTRUCTION SPEECH

HK290415 Lanzhou GANSU RIBAO in Chinese 15 Jul 83 p 4

[Article by Fu Changzuo [0102 2490 0146]: "Concentrate Our Efforts To Step Up Socialist Construction--Studying Comrade Deng Xiaoping's 'The Present Situation and Tasks'"]

[Text] The 1980's represent a vital period for the development of our country. In his speech entitled "The Present Situation and Tasks," Comrade Deng Xiaoping declared on behalf of the Chinese people to the world: the Chinese people will successfully fulfill three major tasks in the 1980's, that is, to oppose hegemonism in international affairs and safeguard world peace, to strive for the return of Taiwan to the motherland, and to step up economic construction. The key to the three matters lies in economic modernization, which is the objective, and our work in all fields must be geared to realizing it. This is the sonorous voice of our times!

Comrade Deng Xiaoping pointed out: "We must take action beginning from the first year of the 1980's to concentrate all our efforts on working wholeheartedly for the four modernizations, and this must not be delayed even for a single day. Now we have laid down our general task, that is, to go all out to work for the four modernizations. Our efforts and attention must not be distracted from it." Shifting the party's central work onto economic construction is necessary, because economic construction represents the fundamental condition for us to handle both external and domestic issues. Our influence in international affairs rests on the size of our achievements in economic construction. If our material foundation is more solid and our economic strength is greater, our role in international affairs will also become greater. The key to realizing the return of Taiwan to the motherland and the reunification of the motherland also lies in the development of our economy. We must use facts to prove that our political and economic system is more superior than the Taiwan system and use concrete actions to encourage Taiwan compatriots to bring Taiwan back into the arms of the motherland at an early date. The 1980's is a vital decade in which we are to make preparations and to lay a solid foundation for developing our economy to an advanced level and for building our country into a modern socialist power by the end of this century.

"The present situation and tasks," after analyzing the situation as we entered the 1980's, puts forward four issues that must be properly handled for the sake of realizing the four modernizations, or four prerequisites for our modernization cause: 1) There must be a firm and consistent political line; 2) there must be a stable and united political situation; 3) people must have pioneering spirit and be ready to devote themselves to hard work; and 4) there must be a well-built contingent of cadres who are determined to take the socialist road and who have professional knowledge and ability. These four points provide a good summary of the major affairs we must properly handle, and show us the orientation to which we should direct our efforts.

Our political line is: to unite the people of all nationalities throughout the country to gradually realize the modernization of industry, agriculture, national defense, and science and technology on the basis of self-reliance through hard work so as to build our country into a socialist country with a high degree of civilization and democracy. When considering any matters and handling any affairs, we must follow this line. This is the greatest political affair. The painful lessons we have drawn from the past 30 years are focused on one point, that is, we have deviated from the central task of stepping up our economic construction. When summing up our historical experience, Comrade Deng Xiaoping pointed out that we must consistently and wholeheartedly follow this political line in our work. He said: "Now we must steel our hearts to persistently carry out this line and gear all our work to this purpose without being affected by any disturbances except for the breakout of a large-scale war."

In order to concentrate all our efforts with one heart and devotion on economic construction, we must ensure a stable and united political situation. This can be regarded as a prerequisite of the prerequisites. For this reason, Comrade Deng Xiaoping emphasized the importance of stability and unity in his speech: "Without a stable and united political situation, people cannot keep their minds on economic construction." He added: "The consolidation of stability and unity should, of course, rely mainly on positive and radical measures, but it also depends on the development of economy and education. At the same time, it is also necessary to perfect our legal system." In recent years, precisely by following this important directive, we have made great efforts to eliminate the residual influence of the chaos and turmoil created by Lin Biao and the "gang of four," and to develop and maintain the stable and united political situation. Thus, the political life of our state has returned to normal, equal, united and friendly relations between various nationalities in our country have been further developed; the patriotic united front has also been further expanded; and our society as a whole has become more and more stable. This is an important reason why our economic construction could be recovered and developed so rapidly. Henceforth, we still need to rely on the methods of developing the economy and education and perfecting the legal system so as to ensure the maintenance of a stable and united political situation and to guarantee the smooth development of our economic construction.

Our economic construction must be based on our own efforts and we must follow the principle of self-reliance and hard work. Ours is a big country with a large population, and our economic foundation is poor and weak, so we cannot take any "short cut" or change ours into a so-called "welfare state." Of course, we must also oppose the practice of conducting so-called "transition and revolution on a poor foundation." We must take a realistic attitude and follow the principle of seeking truth from facts. "We must base ourselves mainly on our own efforts." "The people's livelihood can be improved step-by-step only on the basis of developing production. It is wrong to develop production at the expense of the improvement of the people's livelihood; at the same time, it is also wrong and impossible to improve the people's livelihood without paying attention to production development." In other words, we must take the road of self-reliance and hard work. This actually means that:

1) It is necessary to have an overall viewpoint and correctly handle the relationship between the interests of the state, enterprise and individual. The development of production will inevitably bring about problems concerning the distribution of benefits and earnings. It is wrong to disregard other units and even disregard the interests and discipline of the state and only try to get more for one's own unit. At the same time, when we carry out the principle of distribution according to work and encourage people to earn more through hard work, we should also help them realize that they should act as masters of the country and should always take into consideration the interests of the state and other people. 2) Party members, cadres, and particularly high-ranking cadres must take the lead in opposing privileges and should "earnestly learn from the example set by Comrade Zhou Enlai, playing an exemplary role in the hard work of pioneering our great cause." This is an actual matter of great importance. No matter in what posts they are situated or what affairs they are handling, our comrades must never make use of the power within their competence to seek privileges and private interests and must never let the people down. "This represents a serious struggle." As for those party members and cadres who have violated the central instructions, "it is necessary to seriously educate them and take disciplinary action against those who refuse to mend their ways." 3) It is necessary to put an end to all kinds of waste. The greatest issue in the course of pioneering our cause is to put an end to all kinds of waste. "We must let everybody know that our money does not come easily and the things we produce do not come easily, so any waste constitutes a crime." In our production, construction, and economic management, we must give priority to improving productivity, lowering costs, and enhancing the efficiency of money utilization.

In order to step up our economic construction, we must have a well-built contingent of cadres who are resolved to take the socialist road and who have professional knowledge and ability. Our cadres must meet two requirements: They must be resolved to take the socialist road, and at the same time, they must have professional knowledge and ability. Neither of these two conditions can be dispensed with. Comrade Deng Xiaoping pointed out: "Cadres should be

encouraged to display a noble morality of socialism. They should love the socialist motherland and have a high sense of national pride. Education should be conducted among them so as to enable them to adhere to the socialist road and to have the ability to resist the corrosive influence of capitalism." "They must have professional knowledge and ability. Those who do not have professional knowledge must continue to study. Those who cannot study or refuse to study should be removed from key positions." There is no other way, because they have delayed our cause. For a long time in the past, we did not pay due attention to professional knowledge. "Now, if we still pay no attention to professional knowledge, we will not be able to carry out modernization construction." All these arguments brilliantly expound the general guideline for us to reform the structure of the ranks of our cadres and to ensure that we will have a contingent of professionally competent cadres. This provides an important theoretical foundation for speeding up our modernization.

In "The Present Situation and Task," Comrade Deng Xiaoping took a broad and long-term view and put forward for our country the central task to concentrate all our efforts on stepping up economic construction, showing us the grand prospects that we must strive to realize with this century. This is a general program that guides our ideology and our work in all fields. All our work should be subject to this guideline. Only thus can we overcome various obstructions and disturbance and persistently adhere to the general orientation of stepping up economic construction so as to realize step-by-step the grand program of the four modernizations.

CSO: 4006/702



## NATIONAL POLICY AND ISSUES

### JINGJI GUANLI ON RESTRUCTURING OF ENTERPRISES

HK081149 Beijing JINGJI GUANLI Chinese No 6, 5 Jun 83 pp 35-38

[Article by Ji Zhong [4764 0022]: "How To Do A Good Job in Overall Consolidation Of Enterprises By Applying the Spirit of Restructuring"--passages within slantlines published in boldface]

[Text] Over the past year and more, state industrial enterprises have been carrying out an overall restructuring, with the main goal of improving economic efficiency, and they have initially created a new situation. At the present stage, it is imperative to study how to apply the spirit of restructuring so as to further consolidate and develop the achievements of restructuring and we will be able, after years of hard work, to make further progress in implementing modern and scientific management in the existing enterprises and to build a number of new socialist enterprises with Chinese characteristics and to form a solid foundation for improving the economy in the next 10 years.

In my view, the enterprises, and particularly the big and medium-sized backbone enterprises, will be able, through overall restructuring, to make the following achievements in 1985:

/1. Through restructuring and reform, the enterprises must have a complete management system and new cadres management system./

First of all, leading groups of the enterprises must be composed of entrepreneurs who are able to manage enterprises with modern management knowledge. Through correct restructuring, the leading groups of the big and medium-sized backbone enterprises that are characterized by old cadres, excessive staff, and weak leadership must make certain improvements and considerable breakthroughs in forming leading groups that are composed of young cadres who are revolutionary and who have acquired knowledge and professionalism. But the problem is that some cadres who are responsible for engineering and technical work have found, after they are appointed to leading positions, that they lack experience in enterprise management. It is true that they are familiar with the technology of their own professions, but they do not have enough knowledge of general enterprise management or organizational talent. Some comrades have a certain capability in traditional management, but do not also have the decisionmaking skills of modern enterprise management. And these situations are far from being in line with the needs of the modernization program. In order to meet the

need to create a new situation in economic work, it is therefore necessary that enterprise leading groups must gradually become composed of capable entrepreneurs. Therefore we must from now on work out a unified plan, carry out division of work clearly, and take effective training measures so that enterprise leading cadres will be able to receive more than 1 month of collective study each year. And on the basis of all cadres having received such training in turn, they must be given training in specialized knowledge in a planned way and step by step. By 1985, the managers and directors of big and medium-sized enterprises must have the following qualifications: be capable of using modern management knowledge in managing enterprises, of using such modern management methods as quality control, value projects, goal management, and network technology and of combining them with specific enterprise conditions so that the management of enterprises will approach the level of similar enterprises in advanced countries; be able correctly to implement the principle of planned economy as central and regulation by market mechanism as supplementary, and be able to acquaint themselves with the production, marketing, and sales situations of the products made by the same trades both at home and abroad. They must, on the basis of market prediction, be able to define the correct business policy and principles, and they must constantly produce new generations of products by resorting to new science, technology, and management. Managers and directors of big and medium-sized backbone enterprises must become entrepreneurs with the specialized enterprise management level of university or polytechnic graduates, must grasp a foreign language, and must be good in business management and technology.

Second, form and perfect enterprise management systems that [word indistinct] line with the development of productivity. The big and medium-sized backbone enterprises that have completed restructuring must have capable party committees that are able to unite the entire staff, to implement the party's principles and policies and state law, and to form a unified command system for carrying out production and technology. Such a command system must be headed by factory directors (managers) and, under the leadership of factory directors (managers), it is necessary to form a business management system headed by chief economists, a production and technology command system headed by chief engineers, and an economic accounting system headed by chief accountants. After these systems have been perfected, the number of factory directors (managers) must be gradually reduced to two or three; perfect the system of workers congresses under the leadership of party committees to enable the entire staff truly to display their various democratic rights as masters of the country, fully display the role of workers' congresses in supervising the policies of enterprise management and in supervising cadres and do a good job in such aspects as "party committees carrying out collective leadership, staff carrying out democratic management, and factory directors giving administrative commands."

When measures are being taken to form and perfect the enterprise leading system, it is also necessary to reform the cadres management system. Efforts must be made gradually to invite or to democratically select factory directors and to ask management departments for their support. Factory directors may "form a cabinet" by themselves and select their own assistants and medium-grade cadres. Factory directors and managers must have a certain tenure of office. The directors and managers of enterprises that have "formed cabinets" must be

totally responsible for both production and administrative work of the enterprises. Those with excellent business results must be cited for their good work, awarded, and promoted; those who are irresponsible and not in a position to carry out management and who consequently bring losses to the state must have their demerit recorded, be punished economically, and removed or dismissed from office; those who cannot continue to hold their posts after expiration of their terms of office must have proper arrangements made for them according to their specific conditions.

/2. Further carry out reform and perfect the economic responsibility system and labor management system./

Enterprises must handle well the relations of interest between state, collective, individuals, and consumers. Following the reform of business management, enterprises must be able to make greater contributions to the state and the interests of enterprises, workers, and staff will also benefit and under this situation it is imperative to form a complete system and method for checking the social economic efficiency of enterprises so that each enterprise will consciously guarantee the interest of consumers. The enterprises themselves must form a complete economic responsibility system that combines their own responsibility with autonomy and interests so that staff interests will be directly linked with business results to implement the principle of distribution according to labor still better.

The economic responsibility system must be coupled with reform and restructuring of the labor management system. All enterprises must be able strictly to organize production with fixed staff and quotas while proper arrangements must be made for surplus staff or the staff that do not have definite posts. The use made of the labor force and fixed labor quotas of the big and medium-sized enterprises must reach the advanced standard defined by the state.

Following the reform of enterprise management and the gradual perfection of the economic responsibility system, it is necessary to reform the system of the use of the labor force and the system of labor insurance and welfare. Enterprises must study various forms of the distribution of wages such as piece work, floating wages, professional wages, time wages plus award, and positional wages. The enterprises that have introduced the contracted responsibility system may make a considerable breakthrough in the current wage system and introduce a bonus system that is linked with business results and similar to that practiced by collective enterprises. In short, both in system and policy, business results must accord with economic interests so that the entire staff of enterprises will be directly responsible for business results, to further show from the point of distribution that they are masters of the country. The contract system must be introduced to the system of the use of the labor force. In addition to fixed staff, who should be arranged according to state rules, it is also necessary to recruit staff from society in the form of contracts. Those who are employed to carrying out production annually may sign long-term contracts; the workers that are employed to work in mines and shafts may work in turn regularly while those doing seasonal work may sign short-term contracts. The method of signing contracts may be carried out through such means as voluntarily entering one's name and openly recruiting and the best will be employed after an overall examination and checking; those who have been employed

but who have violated discipline or contracts will have their contracts abrogated in advance. The existing fixed staff must be allowed to float and surplus staff may leave their posts of their own accord and find another job elsewhere. The labor insurance system must be gradually changed and it is necessary gradually to change the method of "everybody eating from the same big pot" by which the state is totally responsible for the whole insurance fund, and instead, it is imperative gradually to introduce social insurance. The reforms and measures represent important work for enterprises in constructively restructuring labor organizations and they are of a great significance for reforming the whole economic management system.

/3. Strive to do a good job in basic work./

In completing the process of the change from production to production management, it is necessary for enterprises to form four complete management systems comprising planning management, quality management, economic accounting, and labor personnel management and to carry out solid basic work that is in line with these four management systems. This basic work includes planning management, quality management, the financial system, cost accounting, energy, goods, and materials management, the system of production command and original records, statistics, standards, measurement, and position responsibility. On the basis of forming strict rules and regulations, enterprises must study and use modern management methods. Some enterprises have used modern management control in such aspects as major production, technology, and management links and have formed a complete system that includes product design, experimentation, production and sales, and after-sales service. The enterprises themselves must organize production according to planning, organize sales according to demand, and deliver goods in time according to contracts.

/4. Through training, build the ranks of staff that are able to meet the needs of modern production./

All enterprises must strive to exploit mental power and workers, technicians and management staff must be given regular training in such aspects as culture, technology, business management, and political and ideological work. By 1985, all enterprises must complete the work of training their staff to make up cultural and technical knowledge and on this basis, specialized technical training must be given to those who are carrying out major types of work on the first front; those in technical positions must be up to the standard of technical operation, be skillful in operation, and must understand the structure and operation of equipment. After 1985, new technical personnel must be graduates from technical schools, polytechnics, and colleges. The main goal for enterprise training centers is not only to give cultural and technical training but also to give systematic education to staff and workers in such subjects as political economy, dialectical materialism, and contemporary and modern Chinese history so that the broad masses of workers and staff will have a chance to understand the history of social development and scientific socialism, understand the superiority of socialism, and become conscious in making contributions to the modernization program.

Big and medium-sized enterprises must set up and perfect training systems and work out complete systems and plans that will enable the entire staff to receive educational training; those attending training who are released from work must be maintained at more than 5 percent; all young workers must complete the task of making up cultural and technical knowledge before 1985 and therefore it is necessary on average to complete 20 percent of this task in 1982 and an average of more than 25 percent in each of the next 3 years. The qualifying rate in the making up of cultural knowledge must be above 70 percent and the rate for technology more than 50 percent. Some of the young workers that have completed their task of making up cultural and technical knowledge must continue their studies in senior secondary schools or institutes of higher learning. Readjustment must be made with regard to specialized management staff in such aspects as planning, statistics, finance and accounting, and labor wages of the existing enterprises and they must be given specialized training and must reach the required standard during a limited period. All staff who are low in standard and capability, not qualified in their posts, or physically weak must be readjusted. In future, all such specialized staff in enterprises must receive specialized training.

/5. Rely on technical progress and constantly improve enterprise economic efficiency./

Enterprises must define their planning for technical development according to the strategic principle defined by the 12th CPC National Congress. By 1985, all big and medium-sized enterprises must be able to make considerable achievements in major technical reform in such aspects as saving energy, improving quality, and adding new varieties of products. First, all equipment with high energy consumption and low efficiency must basically be eliminated; more than one-third of general pumps, boilers, transformers, and electrical machinery must be renewed, energy consumption per 100 million yuan of industrial output value must be decreased from the present 86,000 tons to less than 80,000 tons, and energy effective utilization rate must be increased from an average of about 30 percent at present to more than 35 percent. Second, the quality of major products must reach state grade for excellent products, and it is necessary constantly to develop new products to meet state planning and market demand. Third, all major products that are up to or close to international standards must enter international markets and their competitiveness must be gradually improve. Fourth, improve the installation rate of measuring equipment to build a perfect basic measuring apparatus. The equipment with low energy consumption and high efficiency that has been tested and defined by the Ministry of Machine-Building must be popularized, the factories that are making such equipment must organize production in a big way so as to meet the needs of users in carrying out technical reform; the state, on the other hand, must support the production of such equipment, from study to experiments to manufacturing, by providing loans. Users of the products must also work out their planning so as to do a good job in renewing and reforming in a defined and limited time; the enterprises with financing difficulties must be given loans by banks and they must be allowed to repay the loans with their achievements in saving energy or equipment may be sold to users on credit, the buyers making the payments from the income they get from saving energy.

To realize the above-mentioned goals it is imperative for enterprises to take the following measures:

First of all, it is imperative that enterprises have the inner vitality and strength to do a good job in production and management.

In order to guarantee that enterprises will become economic organizations with normal business activities it is necessary to introduce the "tax replacing profit" system in big and medium-sized enterprises. Small enterprises must have ownership by the whole people, collective ownership, or be capable of being managed by individuals, they must repay if they get loans, pay tax to the state, and be totally responsible for profits and losses. On this basis, the management autonomy of big enterprises must be constantly expanded and this autonomy includes the enterprises having the right to introduce economic contracted responsibility, to carry out technical reform, to carry out, within the country, business activities in other trades and regions, to carry out activities with other countries under the guidance of state unified planning (such as importing materials, processing and exporting, and compensation trade), to sell products, to select, recruit dismiss, and promote talented people (including workers), and to carry out labor organization and structural reform.

Second, corresponding measures must be taken to define economic policy so as to enable enterprises to have the inner motive force to carry out restructuring and reform by themselves. In order to promote the reform of enterprises. Liaoning Province made experiments last year and it relied on four economic measures: First, integrate enterprises' and workers' economic interests with restructuring. It is defined that following restructuring, the enterprises that have become "six-good" enterprises will be given the highest awards, as set by the state; those that are up to testing and accepting standard will be given awards amounting to 2 months standard wages; those that fail to meet the standard will have their awards reduced. Second, only the directors of the factories that have met the restructuring standard can promote 1 percent of workers and staff annually. Third, the total award is strictly calculated on the basis of the defined number of staff. No awards will be increased following increases of staff and if staff are decreased, the awards will also be decreased. Fourth, the enterprises that meet the requirements in restructuring are given priority in expanding their autonomy. With these four measures, enterprises will have the inner motive force to carry out restructuring and reform.

Third, to meet the needs of enterprise restructuring and reform, measures must also be taken to restructure economic organizations. In order to solve this problem, we must pay attention to displaying the roles of enterprises and the roles of economic centers. To realize this goal, we must quicken the pace of restructuring and reform of the management system. The existing industrial companies under provinces and municipalities must be restructured first of all. All administrative companies that are newly added and duplicated must be restructured so as to form business companies under the principle of improving economic efficiency and developing production. To complement the reform of administrative organizations, it is also imperative to restructure and reform enterprise management organizations so as to readjust, gradually and rationally,

enterprise subordinate relations. The general orientation of the reform is that administration and enterprises must be separated and economic methods must be used to replace administrative management. Before the state economic management system is reformed in an overall way, it is necessary, first of all, to change the present situation in which there exists a monolithic leadership system; various plans and goals for production, supply, sales, and finance must all be settled and communicated to lower levels through enterprise management bureaus (companies). Comprehensive balance is required among various plans and goals so as to guarantee that enterprises will have normal production conditions and means. Second, in reforming state organizations, the various economic departments must have definite responsibilities and tasks while responsibility systems must be implemented by various related units at various levels and the implementation must be strictly checked. When enterprises and management have completed their own tasks during the reform of government organs, the economic management departments concerned must bear the responsibility for the consequences of the mistakes made by these departments because of the mistakes in guidance of management departments. Third, after local governments and social public utility undertakings have levied local taxes, it is now not allowed, under any pretext, illegally to demand contributions from enterprises. Fourth, enterprise management organizations and local governments must in no way interfere with enterprises' normal economic activities so as to guarantee the necessary conditions and normal order that are needed by enterprises in carrying out normal production and business activities. Through reform, administration must be gradually separated from enterprises. The main effort of enterprise management departments must be shifted to doing a good job in working out planning for development, economic policy, technical policy, technical standards, popularization of technology, and developing new products and they must display their roles over industrial enterprises in such aspects as making unified arrangements, coordination, supervision, and service.

CSO: 4006/724

## NATIONAL POLICY AND ISSUES

### GUANGMING RIBAO DISCUSSES REFORMS IN ENTERPRISES

HK280611 Beijing GUANGMING RIBAO in Chinese 17 Jul 83 p 3

[Article by Xue Xin [5641 5450]: "Characteristics of the Form of Ownership Should Be Given Close Attention in the Restructuring of Industrial and Commercial Enterprises in Cities"]

[Text] In his "government work report" delivered at the First Session of the Sixth NPC, Premier Zhao Ziyang pointed out: "There are both similarities and dissimilarities between the reforms in agriculture and those in urban industrial and commercial enterprises. The similarities are evident in that in both cases the reforms have made it possible for the production and commercial units and the working people to link their material interests closely with the fruits of their labor and with the expansion of the material production of all society and hence unleash their initiative. However, as there are different types of ownership, levels of the productive forces, and extent of socialization, reforms in the cities are more complex than in the countryside. Therefore, we should draw from the experience in rural reforms only what is common to both and must not mechanically apply the specific forms of operation and management suited only to agriculture to urban industrial and commercial enterprises and other undertakings." This exposition is very important in guiding our study on the reform of the management system of urban industrial and commercial enterprises.

Beginning with the pilot project of expanding the decisionmaking power of enterprises in 1979, our country has carried out reforms in urban industrial and commercial enterprises for nearly 5 years. On the whole, various reforms and pilot projects have been carried out to deal with the defects of limited power in business management and less responsibilities of enterprises and the practice of eating from the same big pot, and remarkable achievements have been made. All this has played an important role in overcoming difficulties arising in the process of readjusting the national economy, in maintaining a growth rate of economic development, in meeting the needs of people in their daily life, and in enlivening market. This reform is continuously marching forward in exploration.



However, in the process of carrying out the reform, some problems have appeared which deserve further discussion and research. The improper handling of interests between the state, collective, and individual has given rise to some new contradictions.

For example, a newspaper not long ago carried a report saying that after practicing the contract system in business, some 300 shops increased their profits by 31 percent in the first quarter of this year compared with the same period last year, so the enterprises obtained super profits and individuals obtained excessive bonus. However, the profit taxes submitted to the state dropped by 1.4 percent. The per capita bonus of a stationery shop amounted to 420 yuan, but the state has not obtained a single cent from it. Also, the per capita bonus of a radio set shop reached 658 yuan, but the profit submitted to the state fell by 30,000 yuan as compared with the same period last year. Similar cases also appeared in some places in the summer of 1981 when the economic responsibility system, with contracts for one's profit and loss as its main content, was being carried out. This indicates that it is necessary to restudy the characteristics of urban industrial and commercial enterprises, the proceeding point from and the objective of carrying out the reform.

#### Urban Industrial and Commercial Enterprises Have Their Own Characteristics Quite Different From That of Production Teams in Rural Areas

The practice of implementing the system of contracted responsibilities with payment linked to output in rural areas over the past few years has proved that this form fairly corresponds with the present state of productive forces in our country where manual labor still takes a dominant position, and has stimulated the development of agricultural production and brought about a prosperous and excellent situation in our country's rural areas. Although the production system in rural areas has to be perfected and a new combined road has to be explored, the step which has been taken has been [word indistinct]. Such rural reforms have provided people with a great deal of enlightenment in understanding urban economic reforms. But the mechanical application of the method which is only suited to current rural areas will not work.

In most rural areas, the system of contracted responsibilities with payment linked to output means the "all-round contract system" with a household as unit. In practicing this system, land of collective ownership will be equally distributed and used according to the number of persons or labor forces, and the form of distribution in which "after enough has been submitted to the state and retained by collectives, all the remaining belongs to individuals" will be carried out. This contracted responsibility system has the following characteristics: 1) If a contract is signed to deal with the land which belongs to the original production team--a collective accounting unit--it will not be directly related to the economic interests of other collective units. 2) the tasks for procurement of grain and other farm products by the state are comparatively fixed. After completing the tasks for the state, production teams and commune members have the right to handle all their own products, and it will not conflict with the interests of the state. 3) As far as contracts signed between commune members within a

production team are concerned, at first, they have an equal share of the means of production (here we are not going to discuss the problem of cadres in grassroots units engaging in unhealthy practices and owning excessive means of production belonging to collectives), but whether achievement can be made after signing contracts depends on themselves; that is, "like the eight immortals crossing the sea, each one showing his special prowess." Whoever does more and better manual and mechanized labor will achieve better results. This practice has done away with egalitarianism and adhered to the principle of "more pay for more work." Hence, no one is envious; nor should he be so.

Urban industrial and commercial enterprises are quite different from production teams in rural areas. The most fundamental differences between them lie in different levels of productive forces and a different extent of socialization, by which the different nature of means of production is decided. Some urban enterprises are owned by the whole people, some belong to "large collectives" (they are, in fact, similar to local state-run enterprises), and some belong to "small collectives." Some are modernized large key enterprises and some are small commercial and service enterprises. It is quite natural for an industrial enterprise to manufacture a product through some ten or tens of working procedures, or even with the cooperation of tens or a hundred factories. A state-run department store sells hundreds or even thousands of commodities. There are great disparities in the amount of sales and profits between different commodities. The existing materials and geographic conditions of industrial and commercial enterprises are quite different and the division of labor between enterprises and between different departments within an enterprises is decided according to the state plan and the needs of production and business operation, not according to the principle of equally owning the means of production, and so on and so forth. It is due to these characteristics which are unique to production teams in rural areas and agricultural production that urban industrial and commercial enterprises must have their own concrete plans for reform and must not mechanically apply the method currently prevalent in rural areas to implement the system of contracted responsibilities with payment linked to output with an enterprise or individual as a unit.

Studying the Nature and Characteristics of the Ownership of Means of Production Is the Basic Starting Point for Formulating Social and Economic Policies

Marxist political economy tells us that while studying economic problems, we must clearly understand the nature of the relations of production and its developmental trend. And in the relations of production, the ownership of the means of production is the foundation, which determines the nature of relations of people in the relations of production and the form of distribution of products. Only by grasping the key to the study of economic problems is it possible to formulate guiding principles and policies to transform society and correctly handle economic problems.

At present, while reforming the economic system, it is wrong if we no longer attach importance to studying the nature and status of the means of production merely because all are related to public ownership. On the contrary, such study remains our starting point in formulating plans for reforming the economic system. The power to own and use the means of production and the power to distribute products is an entity in which they differentiate from each other and are connected to each other. If we sever their connection, are satisfied that the ownership of enterprises belongs to the state, and mechanically copy policies and systems only suited to economic units of collective ownership in business management and the distribution system, it will be impossible for us to correctly resolve problems in business management and the distribution of income of enterprises owned by the whole people.

In collectively-owned enterprises which are established by funds raised from masses, provided the guidance of the state plan is given and relevant laws are executed, all members can hold discussions to decide what form to take in business management and what level to reach in income and distribution. Such decisionmaking power is determined by the nature of collective ownership. In industrial and commercial enterprises owned by the whole people, particularly in those large and medium-sized enterprises, we cannot formulate guiding principles, policies, and systems within the scope of our own enterprise, but must give consideration to our neighbourhood and properly handle relations with other enterprises owned by the whole people and relations with the state, and pay attention to safeguarding the enterprise's nature of ownership by the whole people in the fields of production, exchange, and distribution. The means of production allocated by the state to enterprises owned by the whole people are different. Equipment and installations are different, with some advanced and some backward; the scales of enterprises are different; the products manufactured and marketed are different; the conditions for obtaining raw materials are different; the geographic and traffic conditions for marketing products are different; the profits in producing and marketing commodities are different; and hence incomes are different due to the differences of their grades. To carry out reforms of the economic system in such complicated circumstances and to encourage every enterprise to create wealth for society and accumulate more for the state in economic interests, it is imperative to eliminate not only the practice of "eating from the same big pot" resulting from egalitarianism, but also the phenomenon that some enterprises, by taking advantage of their superior conditions, turn the incomes which result from differences in their grades and belong to society and the state into their own income, resulting in the new practice of "profiting by other people's toil." In a sense, reforming the economic system in all enterprises owned by the whole people means that we must first of all create "equal" conditions for competition between various enterprises and various departments within an enterprise so that all enterprises can offer equal labor to obtain equal income. Only by formulating various correct and concrete policies and systems, by making use of more economic levers, and by properly handling contradictions, is it possible to encourage and promote all enterprises and all departments, staff, and workers within the enterprises.

The distribution system in enterprises owned by the whole people cannot be changed to that of enterprises of collective ownership, nor can it be changed into the "all-round contract system," currently prevalent among peasants. This is because of the following: 1) In industrial enterprises or commercial enterprises, it is impossible to calculate income from the individual labor of every staff or worker, like a peasants' income is determined by his labor in his "share land," nor is it possible for the staff and workers to divide the products which they manufacture and operate into three parts, namely, the state, enterprise, and individual, as can peasants who grow grain. A staff or worker can only obtain the certificate of his labor--his pay and bonus money, to buy consumer goods which they need. 2) Those staff and members in enterprises owned by the whole people must carry out the principle of equal pay for equal work within the scope of ownership by the whole people. The reward of staff and workers of an enterprise must be related to the achievements of the enterprise in its business operation. However, while carrying out the principle of distribution according to one's work, the following situation may eventually appear: one earns 2 yuan for working 8 hours in one enterprise, while another may earn 5, 10 or even 20 yuan in another enterprise for the same labor. Essentially, the unhealthy practices now prevalent in some areas of wantonly releasing bonuses, welfare goods, and various kinds of subsidies and allowances, amount to undermining the system of distribution according to one's work in ownership by the whole people. 3) It is a complicated process to decide the level of earnings of staff and workers in enterprises owned by the whole people. The state must correctly distribute national income, establish a proper ratio between accumulation and consumption funds, and formulate the policy of distribution in correctly handling simple and complicated labor. The growth rate of earnings of staff and workers must not exceed the rate of development of production and the growth rate of labor productivity. Otherwise, the relationship of interests between the state, the collective, and the staff and workers cannot be properly handled, resulting in a failure to control consumption funds, the growth rate of purchasing power exceeding the growth rate of the production of consumer goods, and a shortage of goods on market.

#### Enterprises of Ownership by the Whole People Must Examine Their Comprehensive Economic Results

The most prominent problem in reforming the economic system in urban industrial and commercial enterprises over the past few years has been how to deal with the profit income of enterprises. The level of profit income of an enterprise is indeed a comprehensive index to indicate the status of its business operation, but it is not the sole assessment index.

Profit is a transformed form of surplus labor and part of the value created by laborers. This is, of course, correct theoretically. In practice, however, when we analyze the profit obtained by an enterprise, we cannot simply attribute it to the labor of staff and workers of the enterprise. This is because profit

is the result of many factors. The structure of products, prices, taxes, interest rates, the source of raw materials, the conditions of resources, and technological installations, all directly influence the level of profit income of various enterprises. Those enterprises possessing more favorable conditions due to the above factors cannot owe their achievements of more profit income to themselves, and those enterprises having more unfavorable conditions due to the above factors should not take up all economic responsibilities for less profit income or even loss. This characteristic of profit income is one of the differences between enterprises owned by the whole people and those collectively owned. Basically, an enterprise owned by the whole people is arranged according to the state plan. The state, according to social needs, decides what products an enterprise should manufacture, and what conditions concerning business operation and production should be provided to it. Thus, some enterprises may obtain more profit, whereas others may obtain less profit. Some enterprises may even manufacture some nonprofitable products to meet social needs; if so, they must also fulfill their tasks according to the quality and quantity. If production is arranged according to the amount of profit, the same as a private or collective enterprise does in manufacturing more products if there is more interest, then the socialist nature of enterprises owned by the whole people and the socialist planned economy will be undermined.

The problem of the profit of state-run commerce is more complicated. Marxist theory on the value of labor tells us that commercial profits are generally created by laborers of production departments. The larger part of industrial products marketed in state-run shops, except for those shops dealing with farm and sideline products, are a part of value created for society by staff and workers of industrial enterprises owned by the whole people, but not by the staff and workers of the shops. The function of commercial labor is, mainly through the channels of purchasing, marketing, transferring, and stocking, to deliver commodities to the hands of consumers so as to realize commodity value and use value. Only part of the labor, such as packing and repairing, increases the commodity value. Both parts of this labor are needed by society. The quality of labor and service, and the business operation level of shops have a direct influence on commodities realizing their value. It is necessary to formulate a responsibility system suited to the characteristics of shops in their business operation, so as to encourage the advanced. But the above-mentioned practice of shops directly partaking profits in sales and marketing is open to question.

In recent years, while exploring and discussing the principle of carrying out economic reforms in enterprises, we have gradually reached a consensus; that is, the responsibility, power, and interest must be linked together and the labor of staff and workers of enterprises must be closely connected with the business achievements of the enterprises. Carrying out this principle is beneficial to unleashing the initiative of the staff and workers of enterprises. But, how can they be closely connected? Enterprises owned by the

whole people must formulate various indices for examining their own economic results, such as the status of the fulfillment of the state plan, the quality and quantity of products, costs, productivity, and so on. Those enterprises and staff and workers making more contributions and submitting more profit tax to the state will obtain more rewards from the state. In distribution, we must not only carry out the principle of distribution according to one's work, but must also safeguard the nature of ownership by the whole people so as to facilitate the state in distributing the national income in a planned way, in properly handling the relations between enterprises owned by the whole people, and in controlling the total wages of enterprises. The state is now adopting the methods of substituting taxes for the delivery of profit and the coexistence of taxes and profits, which, to a great extent, guarantees the income of the state. As for the distribution after tax deduction and new problems which may arise in carrying out this method, experiences must be further summed up.

All in all, whether the reform of the economic system in urban industrial and commercial enterprises can be smoothly carried out along a correct road will have great influence on the overall situation of the national economy. It is, therefore, an important task at present to explore a road for smoothly carrying out economic reforms in urban industrial and commercial enterprises.

CSO: 4006/702

## PROVINCIAL WORK REPORTS

### HEILONGJIANG'S CHEN LEI MAKES ECONOMIC WORK PLAN

SK291027 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 28 Jul 83

[Text] On the evening of 27 July, the provincial people's government held the first plenary session. Governor Chen Lei spoke at the session. He analyzed the current economic situation of the province, worked out tasks for the second half of 1983 and urged the vast number of cadres and people to make persistent efforts to comprehensively fulfill all the tasks for 1983.

Comrade Chen Lei said: In the first half of 1983, our province's economy continued going up steadily on the basis of the better achievements in 1982. Agricultural production captured victories in spring sowing and summer hoeing through the struggle against natural disasters. The total crop sown areas reached 129.4 million mu, showing an increase of 1.86 million mu over 1982. We have not had such fulfillment of the sowing plan for many years. By early July, the farmlands had been weeded and ploughed twice. In the first half of 1983, owing to persistently focusing on raising economic results, vigorously promoting technical progress and firmly attending to industrial readjustment and reform and the enterprise consolidation work, our province fairly fulfilled the industrial production task. The province's total industrial output value reached 14,041 million yuan, a 5.1 percent increase over the corresponding 1982 period, fulfilling the annual plan by 50.3 percent and realizing the goal of fulfilling more than one-half of the annual production plan by mid-year.

With regard to capital construction, our province has given prominence to key projects. The pace of capital construction has been speeded up and the quality of construction has been improved.

Both purchasing and marketing were brisk among markets, and prices were basically stable. Financial revenue increased while expenditures were reduced. The living conditions of rural people continued to improve.

In the first half of 1983, the main characteristics of our province's economic work were as follows: Rural areas experienced great and deep-seated change, industrial and commercial enterprises were faced with a serious challenge for intense market competition, and all tasks continued to make progress in the course of reforms.

We may say: In the first half of 1983, our province conscientiously implemented the guidelines of the 12th party congress, proceeded from reality, conquered all difficulties, advanced forward, comprehensively implemented the principle of readjusting, restructuring, consolidating and improving the national economy, and comprehensively developed all tasks.

Comrade Chen Lei said: Our province is confronted with an arduous economic task in the second half of 1983. By and large, we should resolutely conduct the reform and firmly attend to the economy. We must conscientiously implement the guidelines of the first session of the Sixth National People's Congress and the fifth provincial party congress, center on raising economic results to continue readjusting the economy, enthusiastically and steadily conduct the reform of the economic system, firmly grasp the construction of key projects, promote technical innovations among enterprises, ensure the fulfillment and overfulfillment of this year's economic plan, remarkably raise the level of overall economic development, and lay a good foundation for the development in the last 2 years of the Sixth 5-Year Plan period.

With regard to the issues which must be attended to in the current economic work, he expressed the following opinions:

1. Firmly foster an idea of combating disasters and capturing rich harvests and try every means possible to increase agricultural production. At present, we should continue attending to field management and try every means possible to combat low temperatures and promote early ripening. Rural work should closely focus on this issue. All trades and professions should serve this issue, vigorously develop agricultural production and make appropriate contributions to combating disasters and capturing rich harvests.
2. Focus on raising economic results to continue attending to the industrial output in the second half of this year. At present, our province's industrial front is confronted with a serious challenge and a change in how to improve the quality of industrial products. In order to suit the demands of the new situation, all industrial enterprises must focus on raising economic results, promoting technical progress, reducing costs and improving the product quality. Speeding up the pace of raising the quality of enterprises is a guiding ideology of comprehensively arranging the industrial production in the second half of this year and in the days to come.
3. Conscientiously achieve financial and trade work and make good arrangements for rural markets in peak periods.
4. Seek unity of thinking and concentrate on ensuring the construction of key state projects. At present, we should pay special attention to two matters. First, strictly control the scale of capital construction; and second, resolutely stop the unhealthy trends of arbitrarily raising prices and extorting funds.
5. Enthusiastically and stably conduct the reform of the economic system and promote the economic development.

Comrade Chen Lei concluded: The key to achieving production and construction goals in the second half of this year is to strengthen leadership. All fixed tasks should be carried out. We should strive to realize and achieve them.



## ECONOMIC PLANNING

### PROSPECTS FOR SHANGHAI'S SOCIOECONOMIC DEVELOPMENT DISCUSSED

Shanghai JIEFANG RIBAO in Chinese 28 Apr 83 p 1

[Article: "Develop a New Situation of Being Aggressive Abroad, Integrate Domestically, Transform and Develop; Build a New Shanghai Which is Prosperous, Advanced, Developed and Clean"]

[Text] The first session of the Eighth Shanghai Municipal People's Congress which was followed closely by the people of the entire city concluded victoriously yesterday!

The entire body of representatives who attended this session undertook the great trust of the people and with a spirit of great responsibility reviewed and summarized Shanghai's work for the past 3 years; they discussed the policies and great plans for creating a new situation in Shanghai's socialist modernization; an election produced the representatives from Shanghai to the Sixth People's Congress; an election produced the members of the new Municipal People's Congress Standing Committee and the leaders of the Municipal People's Government, Court, and Procuratorate. This session examined and approved Mayor Wang Daohan's [3076 6670 3211] government work report, decided to make "be aggressive abroad, integrate domestically, transform, and develop" the new path for promoting Shanghai's economic and social development, and proposed making Shanghai a new modernized socialist city with a flourishing economy, advanced science and technology, developed culture and clean environment. This was great encouragement for all the city's peoples. We express our warm congratulations for the complete success of this session!

The new path of "be aggressive abroad, integrate domestically, transform, and develop" which this session put forth proceeds from Shanghai's actual circumstances, further implements the policy of readjustment, reform, reorganization, and upgrading, is the concretization of the economic policy of being more open to foreign countries and more invigorated domestically, and is an effective measure for creating a new situation in Shanghai's economic and social development. Be aggressive abroad means to vigorously develop foreign economic trade, and open and expand international markets; integrate domestically means to strengthen cooperation with fraternal regions and actively carry out integration of economy and technology internally; transform means to accelerate the transformation of old enterprises and the old cities, and gradually shift Shanghai's industries, agriculture and other trades and industries onto a new

technological foundation; develop means to open new realms of the economy, technology and construction in a planned and prioritized way and open new ports and new districts of the municipality. These four aspects condition each other and promote each other and are a broad path for Shanghai's economic development.

Shanghai is a highly developed and important city in the economy, culture, science and technology, and foreign trade of the entire country. The nation's demands on Shanghai are great and her hopes are high. Before the end of this century, while constantly improving economic results, Shanghai should realize a quadrupling of the gross annual value of industrial and agricultural production and make an even greater contribution toward the nation's quadrupling. The mission to achieve this strategic demand is enormous and urgently requires that we actively explore and take some new steps. Promoting the new goals of "be aggressive abroad, integrated domestically, transform, and develop" is advantageous for making the most of advantages and minimizing disadvantages, developing superiorities and promoting the coordinated development of Shanghai's economy and society.

"Be aggressive abroad, integrated domestically, transform and develop" also are effective ways to resolve some new problems and new contradictions which have appeared in Shanghai's economic construction. Currently, 70 percent of Shanghai's industrial firms are concentrated in the city's central district, distribution is irrational, most of the equipment is backward and the factory buildings are outdated. The transportation of Shanghai's port and railways is saturated and the supply of energy and raw materials is very much unsuited to the constant increase of production. Shanghai's central district is also cramped, housing is in short supply, traffic is crowded and pollution is severe. On the basis of having studied these new situations and new problems, and summarized historical experience, and then proposing this new path to promote the coordinated development of Shanghai's economy and society gives people a feeling of an enchanting sight and which became clear all of a sudden with regard to building a Shanghai that is economically flourishing, scientifically and technologically advanced, culturally developed and environmentally clean.

There are many favorable conditions for Shanghai to take such a path. The city now has more than 50,000 state-owned and collective enterprises, nearly 5 million employees, more than 300,000 specialists with technical titles; it has very complete industrial categories, very convenient coordinating relations, a very solid economic and technological base, and is a comprehensive old industrial base. Shanghai also is supporting the developed Changjiang delta, and is allying with fraternal provinces, cities and autonomous regions, has very superior harbor and communications conditions, and is an important hub and seaport connecting the country with foreign countries. At the same time, Shanghai's schools of higher education and scientific research units are very concentrated, financial agencies and commercial sales outlets and service facilities are rather large-scale. All of these things provide favorable conditions for Shanghai to walk this new path of economic and social development.

In addition to this, the high regard of the Central Committee and the vigorous support of fraternal provinces, cities and autonomous regions, is also a forceful guarantee for us to take this road. Premier Zhao Ziyang said clearly: "The coastal cities of Shanghai and Tianjin should be given greater autonomy so that they can utilize their superior conditions in attracting and absorbing technology, utilizing foreign resources, transforming old enterprises and breaking into the international market, and develop greater drive and initiative." Most recently, the State Council decided to establish the Shanghai Economic Zone, and the significance of this is very great. The State Council also approved Shanghai's request to develop foreign economic trade work and the request for pilot projects with expanded autonomy in bringing in technology to transform medium- and small-scale enterprises, and this encourages us and spurs us on. With a high sense of responsibility and urgency we should work actively and conscientiously and strive to achieve evident results.

"Be aggressive abroad, integrated domestically, transform and develop" is also a reliable guarantee for completing Shanghai's Sixth 5-Year Plan, and may lay a foundation for further development of the Seventh 5-Year Plan. The Sixth 5-Year Plan approved by this congress is a comprehensive plan for development of the entire economy and society of Shanghai and is shot through with the spirit of stressing both material and spiritual culture. In the last 3 years of the Sixth 5-Year Plan, we should focus closely on the central core of improving economic results, guaranteeing a solidly grounded growth rate for industrial and agricultural production, guaranteeing annual increases in domestic and foreign trade, guaranteeing the realization of state revenue goals, and while stressing building a material culture, vigorously stress building a spiritual culture, and strive for the comprehensive completion of all missions of the Sixth 5-Year Plan.

In the new road ahead, there are many problems of one kind or another. We can neither be overanxious for results and attempt to do miracles in one morning, nor can we lose heart and shrink back in the face of various difficulties. We should rouse our spirits and cautiously and conscientiously, step by step, tread on the stones and climb the mountain.

Through this municipal congress, the new path for Shanghai's economic and social development has already been determined, and the goal of the struggle has been clearly stipulated, the leadership team of the Standing Committee of the Municipal Congress and the People's Government has been adjusted and brought up to strength, and democracy and construction of the legal system have been further strengthened. Party and government organizations at all levels should conscientiously propagandize and conscientiously carry out the spirit of this congress and further mobilize and organize the people of the entire city to struggle hard to create a new situation in Shanghai's modernization. We firmly believe that under the guidance of the spirit of this congress and further mobilize and organize the people of the entire city to struggle hard to create a new situation in Shanghai's modernization. We firmly believe that under the guidance of the spirit of the 12th Party Congress, and under the correct leadership of the Party Central Committee, the State Council and Shanghai CPC Committee and the Municipal People's Government, the workers, peasants, intellectuals and patriotic people of Shanghai can certainly wholeheartedly get rid of all difficulties, and rapidly create a new situation of "be aggressive abroad, integrate domestically, transform and develop" and open the way ahead for building a Shanghai that is economically prosperous, technologically advanced, culturally developed, and environmentally clean.

## ECONOMIC PLANNING

### SHANXI INDUSTRIAL BASE PLANNING APPRAISAL MEETING

SK270706 Taiyuan SHANXI RIBAO in Chinese 28 Jun 83 p 1

[Excerpts] The meeting to appraise the overall planning for building energy and heavy chemical industrial bases in Shanxi Province concluded in Taiyuan on 26 June. Comrades present at the meeting unanimously held that building energy and heavy chemical industrial bases in Shanxi has a vital bearing on the overall situation in modernizing the country and that this meeting is a transition between appraisal and policy making.

The meeting fully affirmed the research achievements in making overall plans for building energy and heavy chemical industrial bases in Shanxi Province. It held that over the past year, under the leadership of the provincial CPC committee and the provincial government, and under the specific guidance of the State Planning Commission, the State Council's technical and economical research center and relevant departments and committees, some 1,400 leading cadres, experts, scholars and practical workers have made joint efforts to formulate plans for various departments and to map out a draft overall development plan for the province, thus providing a combat objective for the people across the province for developing economic construction in stages over the next 20 years and drawing an inspiring blueprint of the prospects of Shanxi in 2000.

All participants held that in the next 20 years, Shanxi Province should adopt an "open door" economic form in developing its economy so as to build itself into an energy and heavy chemical industrial base centering on coal mining. In terms of ideology, it is necessary to proceed from the whole situation and, in line with the principle of taking the whole country and the overall situation into account, to make full use of the rich coal resources in Shanxi to develop the coal industry, the electric power industry and the chemical industry utilizing coal. Overall planning and arrangements should be made to enable the economy, society and science and technology to develop in coordination. Efforts must be made to produce more coal and quality coal to support the country's four modernizations and, on the basis of developing production, to appropriately raise the material and cultural levels of the people across the province.

Participants held that a shortage of talented persons in the communications and transport, water resources and scientific and technological management spheres is the main factor restricting the current construction of energy and heavy chemical industrial bases. In line with the actual situation in Shanxi, in the course of implementing development plans, efforts must be made to attach prime importance to the construction of communications and transportation and to emphasize this in building energy bases. Only by promoting the development of communications and transport can coal output be increased by a big margin and can the economy in Shanxi Province be enlivened. Therefore, a pressing task of the moment is to strengthen the construction of the present railway trunk lines and new lines and, at the same time, build feeders and highways so as to completely change the present passive situation in which "output quotas are fixed on the basis of transport facilities." The meeting also conscientiously studied ways to conserve water and develop water resources, to foster talented persons, and to raise construction funds. It also set forth policies and measures for solving these issues.

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## ECONOMIC MANAGEMENT

### UNIVERSITY FOR TRAINING FACTORY MANAGERS OPENS

HK280334 Beijing GUANGMING RIBAO in Chinese 20 Jul 83 pp 2, 4

[Article by Ma Hong [7456 3163]: "A Management University Run by a Magazine-- A New Type of School for Training Cadres on the Job"]

[Text] The magazine JINGJI GUANLI [ECONOMIC MANAGEMENT] has inaugurated a magazine-run university in concerted effort with related colleges, industrial and mining enterprises, and leading economic units. This university, which will provide regular on-the-job training to cadres, is a most significant pioneering undertaking. The 12th CPC National Congress has formulated the magnificent program for socialist modernization of our nation. Under the leadership of the party, the peoples of various nationalities of our nation are striving for the realization of this magnificent program. The four modernizations cannot succeed without management. In his report made to the 12th CPC National Congress, Comrade Hu Yaobang pointed out, "It is imperative to strengthen the research and application of economic science and the research and application of management science, and to incessantly raise the level of the planning and management of the national economy, and the level of operation and management of the enterprises." This is a vital strategic task.

At present, the economic level of our country is yet not high, and economic results of the enterprises are comparatively poor; apart from the backwardness of production technology, which is an important factor, a key problem is the low level of operational management work. Given the same production technology, economic results will differ greatly if one is good at operational management. Therefore, countries that are comparatively economically developed in the world regard raising the level of science and technology and improving operational management as two indispensable wheels in pushing forward economic development. At present, due to the economic backwardness of our country and the limitation of our national strength, it will take a comparatively long time and a certain amount of capital to materially transform production technology. Therefore, it is of a more realistic and urgent significance to raise social economic results through raising the level of operational management.

In order to raise the level of operational management, it is primarily necessary to have a contingent of cadres possessing knowledge of management science. Take, for example, the industrial enterprises under ownership by the whole people. The number of workers and staff of the whole nation is 35 million; among them, over 3.5 million people are engaged in various types of management work. As a result of the erroneous influence of "leftism," the cultivation of talents in management were not given due attention for many years. Few of cadres taking up management work at present have gone through systematic education in management science. Some of them were promoted from experienced workers and staff on the production forefront, others were transferred from other departments, and some have received general higher education, but have not been trained in the special field of management. The overwhelming majority of these cadres have been active and hardworking in their jobs, and have accumulated many valuable experiences in their practical management work; however, lacking the opportunities of learning the knowledge of management science systematically, they cannot but be greatly restricted if they want to raise the level of operational management of the enterprises in an all-round way, so as to realize modernization of enterprise management, and to greatly raise their economic results. To basically change this situation, it is necessary, on the one hand, to develop the education in management in a big way, and strive to gradually ensure that new management cadres to be assigned in the future will have gone through systematic education in management; on the other hand, in the more realistic and urgent aspect, it is necessary to train and raise the level in a planned way of the cadres currently on the job. In his report made to the 12th CPC National Congress, Comrade Hu Yaobang pointed out: "In order to bring up a large number of specialized talent for socialist modernization, it is necessary to strengthen the work in the education and training of cadres in a big way. From now on, in the employment and promotion of cadres, it is necessary to take their regular schooling and academic records as an important basis, like experiences and achievements in their work." And it is required that various types of schools revise their curricula, and take up the task of taking regular training of cadres in accordance with the needs of various types of schools, each with its division of labor.

To adopt regularizing measures in training cadres on the job in a planned way is a vital and arduous task for the educational undertaking of our nation. To fulfill the task, it is necessary to carry out necessary reform in the education system, mobilize on a broad basis the forces of the education departments and various aspects of society, and adopt various forms in running schools under the premise of ensuring the quality of education. The associated correspondence university inaugurated by JINGJI GUANLI is a new form of running schools that has appeared, suiting the need of the objective situation, and answering the call of the party.

This magazine-run university is called an associated university because it is by the concerted efforts of many institutes of higher education, economic research units, economic committees of various places, and the education departments of some large industrial corporations. After nearly 1 year's

fermentation and preparation, it is now beginning to run, on a trial basis, its first specialty--the specialty of management of industrial enterprises. The establishment of this specialty will take cadres on the job at the intermediate level in industrial enterprises as trainees. Serious analysis has been made of the demand of management knowledge to be mastered by these cadres in their practical work. A curriculum has been drawn up and the contents of education in each subject planned in comparative conformity with realities. A number of outstanding scholars and specialists have been organized in editing the teaching materials. The two forms of registered and non-registered students have been adopted. Thus advantageous conditions are provided for the broad masses of cadres in enterprises to systematically study the knowledge of management science.

The adoption of the method of training cadres in the form of correspondence is a trial of a newly emerging form of running schools and its effects remain to be proved in practice. However, according to the preparations and the various responses, we have every reason to believe that it will be a form of running schools which will adapt to the characteristics of cadres on the job, in particular cadres above the intermediate level in their studies, and which will achieve greater, faster, better, and more economical results.

When the news spread that a magazine-run university was to be inaugurated, it was warmly welcomed by the broad masses of the enterprise cadres. Why should it be welcomed? This has something to do with the characteristics of this magazine-run university, which are:

1. The magazine-run university will take self-study as the key, and the time for self-study will be flexibly arranged by the students themselves. For those leading cadres who are busy at work, and cannot completely make arrangements in their own time, this will be an advantageous condition.
2. The curriculum offered by the magazine-run university is set in accordance with the actual needs of the cadres. Not only do the curriculum and the teaching materials focus on linking with practice, but the teaching method also focuses on combining theory with practice. For example, when every course is concluded, an outline of the course is required, to apply what has been learned to improving related work in one's own enterprise; when all courses are completed, it is required that a graduation project be undertaken, to make proposals for improving the operational management work of one's own enterprise or unit, so as to apply what is learned from study.
3. There are principal texts in the teaching materials edited by the magazine-run university, and also a large amount of guidance materials, which will be published in JINGJI GUANLI in future issues. Leading cadres who are rich in practical experiences and have the ability to understand will surely learn from these teaching materials what should be mastered through self-study. Those registered students will have the opportunity to receive face-to-face guidance once a week, and they will have more conditions to achieve the requirements of study.



To summarize the aforesaid characteristics, the school aims to provide convenience for self-study, combine theory with practice, and apply what is learned from study; therefore, it is most suitable to the demand of the cadres on the job.

For registered students, public notice of entrance examinations will be given by branches of the university established through formal approval; and having passed strict examinations in accordance with the standard on examinations, they will be admitted. They can listen to guidance reports, and they are required to complete various items of assigned homework, take part in examinations when each subject is completed, and sit a graduation examination when the entire course of studies is completed. When these students complete the course of studies, they must attain the level of university or college graduates. Due to the limitation of forces, it is impossible to establish university branches universally in various places, and the number of registered students enrolled cannot be very large at the start. However, this will not prevent the broad masses of cadres on the job who have the will to carry on advanced study to do so on a self-study basis with the help of the teaching materials and guiding materials published in the magazine, nor will it prevent related organs and industrial and mining enterprises from making use of these self-study materials to run training classes on their own. Therefore, running a school in the form of a magazine-run university will not only have key objectives of training, but will also play the role of popularizing management education. It does not need state investment to construct school buildings, and there is no need for appointing teachers. However, by merely making use of the related equipment of existing universities and colleges, economic research units, or industrial or mining enterprises, and mobilizing part of the force of teachers, specialists, and scholars, 3 years later, it will train annually thousands of cadres on the job for the state. Is this not a good way to cultivate and train cadres achieving greater, faster, better and more economical results?

Comrade Chen Yun has indicated, "there is much to be achieved by a magazine-run university." The magazine-run university is opening up a new path for the regular cultivation and training of cadres on the job for the enterprises, and in the development of adult education of our country. I believe this new flower on the educational front will certainly prove itself to be of strong vitality under the support and concern of educational departments and related leading organs, with the common efforts of the leading comrades, and teachers of various universities and colleges, and other specialists and scholars, relying on the broad masses of cadres on the job who will bring their initiative into full play in taking part in the studies, and persisting in the principle of combining and raising the level of economic management of our nation.

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## ECONOMIC MANAGEMENT

### JINGJI GUANLI ON TAKING RESPONSIBILITY FOR LOSSES

HK050904 Beijing JINGJI QUANLI in Chinese No 6, 5 Jun 83 pp 20-22

[Article by Meng Chuansheng [1322 0278 3932]: "In Practicing the Contract System, Enterprises Should Be Responsible for Profit as Well as Loss"]

[Text] The reform of industrial enterprises, ranging from experimentation in assigning the enterprises greater decisionmaking power to the implementation of economic responsibility systems, has started. Initial success has been achieved. However, overall, regarding the problem of the poor economic results of state industrial enterprises, there has not been any basic favorable change. In particular, industrial enterprises run by county authorities have been incurring heavy losses.

In agriculture, responsibility systems whereby contracts are based on output can generally be a cure for poverty. However, why have economic systems in industrial operation failed to bring about an overall favorable change? I think the key reasons are: "eating out of the big rice bowl," the "iron rice bowl" system, and the fact that problems concerning the enterprises' decisionmaking power have not been completely solved.

At present, the economic responsibility systems practiced by state industrial enterprises usually involve assuming responsibility for profits but not losses. It is still possible to "eat out of the big rice bowl."

First, aside from the methods adopted by a number of advanced enterprises, the majority of various existing methods of responsibility for task completion help preserve the enterprises' "vested interests," which were held by them in the past when they "ate out of the big rice bowl" and when management and operation were backward. The percentage of profits retained by the enterprises, or the tax rate applicable to enterprises which try substituting taxes for profits, have been determined according to the proportion of the enterprises' earnings in their total profits before the experimentation. The basic figures used in methods of assuming responsibility for profits and losses in task completion have been determined through haggling on the basis of original figures or even through lowering the basic figures. In effect, this enables a large number of backward enterprises to continue to "eat out of the big rice bowl" at the expense of state interests.

Second, there is great "flexibility" in fulfilling tax completion targets. Some enterprises which have not fulfilled set targets often put the blame on various objective difficulties and get approval for lowering basic figures, so that there is only reward but not penalty, or the enterprises' welfare funds and the workers' basic wages can be kept up. The real effect is that the enterprises assume responsibility for profits while the state assumes responsibility for losses. The enterprises only enjoy a share of excess profits without assuming responsibility for below-target earnings. The systems of responsibility for operation practiced by some state industrial enterprises allow them "to pay full wages to the workers, retain adequate collective production and welfare funds, and then share the remaining portion of earnings with the state (to gain from profits or reduce losses)." Some enterprises which incur losses, along with their workers, do not safeguard the state's interests, but, on the contrary, they make the state safeguard their earnings. How can they feel the pressure, and the urgency of the need for, turning losses into profits?

The question is very clear. If the state enterprises are to effectively practice economic responsibility systems, the enterprises and their workers must safeguard the state's interests, and not the other way round. If an enterprise's earnings are above target, the collective and the individual can correspondingly get a higher income under the precondition that the state gets a larger revenue. If a task cannot be fulfilled, the planned amount of tax payment and profit must be turned over to the state, and the deficit must be made up for by drawing upon the enterprise's own funds. If losses are incurred because of questions of operation, the treasury will not make reimbursements and the workers may get less than the basic wages. If an enterprise goes bankrupt or closes down, the enterprise with its workers must bear economic and legal responsibilities. The key question in our discussion is precisely the need to break the "iron rice bowl."

I think that it is absolutely not a superiority of socialism that the state assumes responsibility for both the satisfactory running and the unsatisfactory running of enterprises and the workers get the basic wages no matter whether they do a good job or not. In fact, this is precisely a reflection of the defect of the state industrial enterprise management system. It basically violates the principles of distribution according to work done.

Some people hold that there are many complicated reasons for the incurring of losses by enterprises, such as reasons connected with our pricing system, inadequate planned tasks, disparity between supply, production, and marketing in external circumstances outside the enterprises, and so on. Therefore, the enterprises are unable to shoulder responsibility for losses. I think that although, we naturally should concretely analyze these questions, and each party should bear its own responsibility, however, small state enterprises mainly belong to the realm of guidance planning and regulation by market mechanism, and whether the composition of their products is rational and production, supply, and marketing are compatible with each other essentially depends on the running of the enterprises. Therefore, they should naturally bear responsibility for their profits and losses. Recently, the party committee and administrative office of Hejiang Prefecture formulated a regulation, based on investigation and study, which states that ending losses

due to bad operation and increasing profits should constitute the enterprises' most basic economic responsibility toward the state. Specific targets have been drawn up according to this responsibility, which rigidly requires all levels to assume responsibility. Enterprises which, by the end of 1983, fail to accomplish targets related to assuming responsibility for task completion, must make up for the shortcoming by using their production funds, welfare funds, and so on. If losses are incurred owing to poor operation, the treasury will not make reimbursements, and the welfare enjoyed by the enterprises as well as payment of basic wages to the workers will not be guaranteed. With the implementation of this regulation, would there be no way out for the enterprises, and would the workers be unable to make a livelihood? For the majority of enterprises and their workers, because they can no longer "eat out of the big rice bowl" and the "iron rice bowl" is broken, they can only "fight with their back to the river"--either win or die. The result is that the enterprises have been enlivened to an increasingly greater extent. For example, the Huachuan Paint Factory in the past incurred losses year after year. Last year, after assuming responsibility, the factory began to pay wages on a floating basis. Consequently, against a loss of 380,000 yuan in the previous year, it achieved a profit of 80,000 yuan. Last year, the Jixian Electrical Machinery Factory implemented assuming responsibility on the basis of small groups. Whereas the planned annual profit was 10,000 yuan, the actual realized profit was 270,000 yuan. Perhaps there is no way out for an extremely small minority of enterprises if they practice this method. However, this not something bad. [as printed] If an enterprise incurs heavy losses and cannot even make means and ends meet, what is the point of its existence?

If the enterprises are required to be responsible to the state for their profits and losses, the workers are paid on the basis of distribution according to work done in the light of the condition of running the enterprises, but the leaders of the enterprises need not bear economic responsibility toward the enterprises, then, the entire issue will become empty talk. I think that in solving the problem of the "iron rice bowl," the key question is to end the "system whereby lifelong posts are held" by the leading cadres of the enterprises.

Recently, in a survey of 24 state enterprises which are run by county authorities and which have incurred losses, we found that they generally have the following problems: appropriation of public property, stealing, using public funds for eating, drinking, and giving presents, lax discipline, high pay for little work, rough and slipshod manufacturing, aimless production, sticking to old conventions, and confusion in management. The leaders of these enterprises have been "paying themselves in spite of losses" with an easy conscience, and have even loudly demanded that the state should allow them to continue to incur losses. I think the key problem is the "iron rice bowl" actually held by the leading cadres and the system whereby they hold life-long posts. They exercise power without shouldering responsibility. They cause their enterprises to fizzle out but can continue to take up leading posts in other enterprises. This kind of person causes enterprises to incur losses wherever they go, but they still "enjoy good fortune in their official career." Is it not queer? Now, everyone talks about appointing "men of insight" to leading posts, but if these "muddleheaded officials" do not step down, how can "men of insight" take up leading posts? Even if they are appointed to

these posts, with both "men of insight" and "muddleheaded officials" working side by side at leading posts of the enterprises, can the "men of insight" develop their ability? It appears that there is an extremely urgent need to take practical measures to really abolish the "system of lifelong posts," and to establish a cadre system which provides for both promotion and demotion, and both appointment to leading posts and dismissal from these posts.

Last December, the party committee and administrative office of Hejiang Prefecture decided that in implementing systems that require enterprises to assume responsibility for their operation, the system of leading cadres' responsibility, which can help turn losses into profits, must be established first. According to this system, the leaders of enterprises which fail to put an end to losses due to bad operation may resign. The leaders of those enterprises which by the end of 1983 fail to end losses due to bad operation will be dismissed and assigned ordinary work in their own enterprises. The leaders of those enterprises which achieve marked success in turning losses into profits or increasing profits will be commended through circulars, promoted to higher posts, or promoted to higher wage grades. When these regulations were made known to lower levels, there was a strong response. With responsibilities clearly defined, a new situation emerged. When the leading cadres of the Fujin Agricultural Machinery Repair Factory realized that it was no longer possible to be an "easy-going official enjoying life in peaceful times," they took their belongings to the factory and lived there, resolutely determined to grasp the turning losses into profits. Leading cadres of the Huanan Tile Factory voluntarily resigned, leaving their posts to more capable persons, on account of their low education standard and low ability. The new leading cadres of the Qitaihe Knitting Factory, upon being appointed to their posts, declared to the whole staff that if the situation did not make a favorable turn this year, they would voluntarily step down and become workers.

The two points discussed above concern responsibility for operation. However, it must be noted that the assigning of decisionmaking power to the enterprises is the precondition for their assumption of economic responsibility. If the enterprises' decisionmaking power is to be extended, the key question is that the higher authorities must assign power to them. If the enterprises still serve as "beads on the abacus" in the hands of superior administrative organs, and are not appropriately empowered to handle human and financial resources, supply, production and marketing, how can they assume responsibility for profits and losses? At present, the main categories of power assigned to the enterprises in the light of their responsibility are: to regulate the orientation of production and the composition of products under the guidance of planning and in the light of market needs; to sell a certain proportion of their products and reallocate some of their material resources; to use capital funds which they retained; to plan for establishing internal organs and handling personnel affairs; to choose from various forms of remuneration for work done and to distribute bonuses; and to give rewards or penalties to workers (including rewarding workers by promotion and so on, and penalizing workers by various means, even dismissal).

A current problem is that the industrial enterprises run by county authorities are under many different levels vertically and under many departments horizontally. All levels and departments have a hand in controlling the enterprises, so that they have very little decisionmaking power and cannot shoulder economic responsibility. To solve this problem, in September 1980, we started a reform of the system of managing industrial enterprises run by county authorities. Diversified leadership by many vertical levels and many horizontal departments in the past is to give way to unified leadership by county economic committees, so that the enterprises can be freed from the control of many "bureaucratic offices." Within the economic committees, responsibility, power and interests are unified. Each level represented in a committee delegates power according to its own responsibility. Thus, to a certain extent, the problems of the enterprises' decisionmaking power can be solved. Nevertheless, if the lower levels but not the higher authorities want to have some changes, it will be very difficult to effect such changes. Horizontal departments in solid possession of power and various vertical departments in charge of various industries are unwilling to give up their control over the enterprises, and they use their own regulations to oppose such changes, so that the enterprises still have their hands and feet bound. Therefore, to thoroughly solve the problem of the enterprises' decisionmaking power, the reform must be carried out systematically on a full scale, going from higher to lower levels and with higher levels integrated with lower levels.

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## ECONOMIC MANAGEMENT

### ECONOMIC RESPONSIBILITY SYSTEMS OF SHOUDU STEEL EXAMINED

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/Preface by Ma Hong /7456 3163/ for the book "A Study of the Operational Management of the Shoudu Iron and Steel Company": "What Can Be Learned from Shoudu Steel's Reforms"/

/Text/ The Shoudu Iron and Steel Co is an old enterprise with a history of more than 60 years. It has a sound foundation in management work. Management at Shoudu Steel since liberation has always been carried out well. Since the 3rd Plenary Session of the 11th Party Central Committee, in particular, the company has been practicing economic-responsibility systems on the basis of reforms in economic-management systems and experiments in enlarging the company's autonomy in operational management. This has led to drastic changes in the content and methods of operational management, raised the personnel's political consciousness and enthusiasm for productive labor, made increasing contributions to society, and provided valuable experience in the improvement of operational management in the nation's industrial and transport enterprises. Comrades at the Institute of Industrial Economics under the Chinese Academy of Social Sciences, with unstinting support from the party committee and staff and workers of Shoudu Steel, conducted a systematic study of the company's management, especially the reforms and developments in operational management made after the introduction of the economic responsibility systems. Under the supervision of Comrade Jiang Yiwei /5592 0001 5517/, they wrote a book entitled "A Study of the Operational Management of the Shoudu Iron and Steel Company" (soon to be published by the China Financial and Economic Publishing House). The book presents a comprehensive discussion of Shoudu Steel's experience, past and present, from the principles of management to specific methods of management.

#### Establish and Perfect Economic-Responsibility Systems and Improve Comprehensive Economic Results

Shoudu Steel's management experience is manysided. Most outstanding is its sound economic-responsibility systems. A modern socialist industrial enterprise is an economic organization with public ownership of the means of production. It practices socialized mass production using a system of machines. Extremely close technological and economic relationships and broad cooperation exist between the production units and between the management departments. Smooth production operations are impossible without strict systems of responsibilities. In Chinese

industrial enterprises, the production and technical responsibility systems of the fifties, the administrative leadership systems at all levels, the responsibility systems of specialized institutions and personnel, and the individual worker responsibility systems in the sixties had all played an important role in improving management, overcoming disorder and promoting production. These responsibility systems, however, were formulated under the old economic-management system. In both content and role, they were greatly different from the economic-responsibility systems being practiced by Shoudu Steel today. The old systems, which were overcentralized and relied purely on administrative means in enterprise management, had two main shortcomings: 1) In economic relationships between the enterprise and the state, the state assumed responsibility for all profits and losses, the enterprise lacked autonomy in operational management, and the success or failure of management was not linked directly to the material interests of the enterprise and its personnel. 2) Within the enterprise, there was a tendency of egalitarianism regarding remuneration of workers labor, a tendency of eating from the big pot of rice, making no difference if one worked more or less, performed well or poorly. There was a lack of strong economic motivation and pressure for the enterprise and its personnel to develop production and improve operational management. In view of this situation, China's reforms in the industrial enterprise-management system need to find solutions to two major problems: One problem is the correct handling of relationships between the state and the enterprise. On the one hand, the state should recognize the proper interests of the enterprise and delegate to it the necessary autonomy so that it will develop inherent vitality and motivation. On the other hand, the state should impose stringent demands on the enterprise, exerting definite pressures and urging it to make continued progress. Since the 3rd Plenary Session of the 11th Party Central Committee, enterprises have been given greater autonomy and allowed profit retention in various forms. This has resulted in notable progress in changing such phenomena as enterprises eating from the state's big pot of rice, no differentiation being made toward good or poor performance, toward profits or losses. We should sum up the experience so as to perfect the effective measures. What merits our attention at present is the fact that while enterprise autonomy is being enlarged and enterprise motivation enhanced, some places and departments do not set strict demands on the enterprises and even show a tendency to relax their demands, so that some enterprises, while taking things easy, gained many unearned benefits. This does not serve to encourage enterprises to make advances and is harmful to the overall interests of the state.

In reforming the system of economic management, we should both infuse the enterprises with great vitality and impose on them stringent demands, integrating responsibility, authority and benefits. This is a problem that must be solved conscientiously and properly. "Substituting tax for profit" is about to be instituted nationally. Instead of delivering all their profits to the state, enterprises will pay an income tax on their profits. At the same time, the state's supervision of enterprises mainly through direct administrative intervention will change to supervision mainly through economic means (including the use of such economic leverages as prices, taxation, interest rates and wages), in this way gradually separating government and enterprises, encouraging the enterprise to pay attention to operational management and change from the purely production-management type to the production-operations type.



Another problem is the correct handling of the relationships between the enterprise and its personnel. The most important thing here is to link the performance of enterprise operations directly with the material benefits of its personnel, in order to mobilize the latter's enthusiasm in improving operational management and developing production, so that they will be concerned with the results of operations and will no longer eat from the enterprise's big pot of rice, be unconcerned with good or bad personal performance, with making or not making an effort to work. The enterprise, on its part, must change from a purely production-management type to a production-operations type. This calls for the enterprise management to establish comprehensive and strict economic-responsibility systems. This kind of responsibility system combines production, technology, operational management and economic results. It demands that each and every worker of an enterprise be concerned not only with production, technology, and the amount of operational work, but also with quality, especially with economic results, and with the amount of contribution to the state and society. Only in this way can long-term problems be changed--problems such as everybody being responsible means actually no one is responsible; or only direct production personnel are held responsible while technical and managerial personnel are not; or responsibility is limited to the volume of production and no attention is paid to quality and economic results; or the personnel's material benefits are divorced from operational results and everybody eats from the big pot of rice. Such problems are common in a country practicing a planned economy on the basis of public ownership of the means of production. Shoudu Steel's experience is valuable in that, proceeding from the actual conditions of China's industrial enterprises, it has begun to find ways to treat these common problems. It has provided valuable experiences in forming uniquely Chinese systems of operational management in industrial enterprises.

Starting with the establishment and perfecting of economic-responsibility systems, making the improvement of overall economic results as its objective, in line with the principle of combining economic responsibilities, economic authority and economic benefits, Shoudu Steel has initially found a set of systems and measures that operate and manage modern industrial enterprises by relying on all of its personnel. Their ideas, principles, systems and methods of operational management favor the full utilization of the superiority of socialist industrial enterprises. As long as we bring this superiority into full play, we can overcome our shortcomings and the difficulties on our forward march.

In a nutshell, Shoudu's experience is to change a purely production-management type enterprise into a production-operations type enterprise; to establish and perfect comprehensive responsibility systems combining production, technology, operational management and economic results, linked vertically and horizontally; to correctly handle the interests of the state, the enterprise and the personnel, and guarantee the smooth implementation of the principle of "the state receiving the big benefits, the enterprise receiving the medium benefits, the personnel receiving the small benefits." This will take care of both the current local interests of the personnel and conform with the overall long-term interest of the working class.

## From Purely Production-Management Type Enterprise To Production-Operations Type Enterprise

Shoudu Steel's reforms in enterprise operational management systems are creative forms. They provide good learning experience and are of major significance in the reform of China's industrial management system. Since instituting these reforms, operational management at Shoudu Steel has undergone the following changes:

1. Planning management has developed from the traditional production, technical and financial planning into production-operations planning. Production planning has developed into operations planning, so that planning management has become the "dragon's head" of specialized management of production, technology, labor, equipment and financial cost, bringing the productive and technical activities at all levels, of all units, into the orbit of planning to become overall planning management, making the state's command tasks the common objectives and conscious action of all personnel of the enterprise.
2. The enterprise's production coordination has developed into production-operations coordination, the daily report on production coordination has become the daily report on production operations. The new report not only promptly reflects the product varieties, quality and quantity produced daily, but also promptly reflects such operations as loading, shipping, accounts received, and profit realized.
3. The personal-responsibility system has developed into the personal economic-responsibility system, strengthening such foundation work as data management and enterprise management, thus providing a mass basis for the implementation of the economic-responsibility system.
4. General composite awards have developed into awards linked to economic responsibilities, thus raising the worker masses' sense of responsibility as masters of the enterprise. Since the enterprise now has the authority to use its own funds, according to regulation, to practice an inhouse wage fluctuation and promotion system, egalitarianism in the wage system is initially rectified and the principle of "to each according to his work" can be implemented.
5. Carrying out technical reform by relying on state appropriations has developed into carrying out technical reform by using profit retained, thus accelerating the renovation and modernization of reequipment. The enterprise is able to make relatively small investments, enforce short work periods and reap quick results.
6. Cost accounting has developed from monthly accounting into daily accounting. Daily projections and analyses are made of profit, and 10-day projections and analyses are made of working capital. This strengthened financial control, implemented comprehensive economic accounting and improved economic results.
7. Overstaffing in some production and work posts has been rectified. Production is organized strictly according to authorized members of personnel. Labor discipline is strengthened and labor efficiency raised.

8. A labor service company practicing independent accounting has been established, providing employment for superfluous personnel and unemployed children of the staff and workers. This has eliminated confusion in responsibility posts.

9. Ideological-political work has been strengthened. Instead of general ideological education, the enterprise now conducts ideological education by comparing figures regarding finances, tapping of potential, raising the workers living standards, and the relationships between the state, the enterprise and the individual. By carrying the party's work to the frontlines of production, and daily combining ideological work with economic work, the enterprise is able to enhance the workers understanding of the general and specific policies of the party and the state, and their sense of responsibility as masters of the enterprise.

10. The workers congress had developed from an organization inviting workers to participate in management into an organ of power whereby workers and staff take part in enterprise operational decisions and in supervising the cadres. This strengthens democratic management so that workers and staff are truly masters of their own enterprise.

All this shows that Shoudu Steel, through establishing and perfecting the economic-responsibility system, has propelled itself from a purely production-management type enterprise toward a production-operational management type enterprise. It represents one of the fundamental changes that have taken place in the reform of industrial enterprise management since the 3rd Plenary Session of the 11th Party Central Committee.

#### Socialist Production Relations Developed, Forces of Production Liberated

Why has Shoudu Steel been able to make new developments in operational management by instituting economic responsibility systems? This is mainly because by closely integrating economic responsibility with economic authority and benefits, economic-responsibility systems have readjusted the economic relationship between the state and the enterprise, and between workers within an enterprise, begun to rectify the long-term problems of eating from the big pot of rice and egalitarianism in China's economic management, thus giving the enterprise the motivation and pressure to reform technology and improve operational management. Comrade Mao Zedong said that once the question of the ownership system of the means of production is solved, management becomes the dominant question, and management means the correct handling of relationships between people. Overall implementation of economic responsibility systems further adjusted and perfected the relationship between people in productive labor and operational management, developed socialist production relations, and promoted reforms of the superstructure, thus greatly liberating the forces of production.

Here it is necessary to talk about the relationship between the industrial-management system reform and the agricultural-management system reform. Both agriculture and industry are the most important material production sectors in the national economy. In the last 5 years, agricultural production teams have achieved outstanding results in management systems reform by promoting various forms of responsibility systems linking production with remuneration. This

experience has been and will be helpful to the management systems reform of industrial enterprises. At the same time, it should be noted that industrial enterprises are, after all, different from agricultural production teams on many points. Many comrades have repeatedly made clear the industrial enterprises have a higher degree of the socialization of production, that is, social division of work and cooperation in production, and also that there is a big difference in the system of ownership. While collective ownership and even individual operations exist in industry, ownership by the whole people remains the dominant form. This is especially true with large and medium enterprises. Agricultural production teams, on the other hand, truly practice the system of collective ownership with sole responsibility for their profit and losses. While reforms of the management system of agricultural production teams must also handle correctly the economic relations between the state and the collective (agricultural production teams), less than 10 percent of the state revenue comes directly from agriculture and the rest of the agricultural income goes to the agricultural production teams. Therefore, management-systems reform of agricultural production teams should mainly solve the problem of proper economic relations between the collective and the individual within the production teams. As agricultural production teams are economic units responsible for their own profit and losses, the size of their income depends essentially on the output of each agricultural worker and the performance of their operations. To earn more income, agricultural workers must produce more and improve operations of the production team. The income of the agricultural production teams go mostly to the workers. In other words, within agricultural production teams, the team members get the biggest share, while team and state accumulation receive smaller shares. Industrial enterprises owned by the whole people are different. Over 90 percent of state revenue comes directly from industrial, commercial and transport enterprises, and of these mainly the state-owned industrial enterprises. Therefore, management-systems reform of state industrial enterprises must handle correctly the relations between the state, the collective and the workers. Constant increases in state revenue must first of all be ensured. Only in this way can the state carry out key construction in a planned way, guarantee necessary expenditures, properly meet the needs of society, and work for the welfare of the entire people. Therefore, in order for the enterprises and their workers to increase their income, they must work hard, increase production, practice economy and improve economic results, and not to seek gains from state revenue, or get together to hassle over base figures in order to get a share of state revenue. Only in this way can the principle of "the state getting the big share, the enterprise getting the medium share, and the workers getting the small share" in the increases of enterprise revenue be truly implemented. Only in this way can modern socialist construction have the necessary financial and material resources and proceed successfully.

Shoudu Steel's experience vividly reflects these characteristics of management-systems reform in state industrial enterprises. Certainly Shoudu's economic economic-responsibility systems can be further improved, new situations and problems will continue to emerge in operational management and need to be solved. Nevertheless, popularization of its experience will undoubtedly play an important role in our overall consolidation of enterprises, in effectively implementing the "three constructions," in creating the "six-good enterprises," and in reforming economic systems. It is, therefore, necessary for comrades engaged in

actual work in industry and comrades engaged in economic theories to study Shoudu Steel's experience and apply and develop it in connection with the actual conditions of their own units and specializations in order to find socialist enterprise-management systems that are uniquely Chinese and promote socialist modernization.

This book, which makes a comprehensive study of Shoudu Steel's operational management work, attempts to give a systematic presentation of the changes since the institution of the economic-responsibility systems, and a comprehensive picture of the company's management work. It is a historical record of the actual conditions of China's industrial enterprise management work in the early eighties. Inevitably, of course, there may be untouched or inaccurate points that will have to be revised and improved. I hope that comrades at the Institute of Industrial Economics will select more enterprises of various types and make similar studies. A whole group of systematic and typical study materials will be of great theoretical and practical significance to us as we proceed from Chinese realities and search for a way to socialist industrial enterprise management that is uniquely Chinese.

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## FINANCE AND BANKING

### REFORM OF CREDIT SYSTEM IN INDUSTRY, COMMERCE

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese, No 4 (4 Apr 83) pp 4-6

[Article by Zhou Tianshun [2612 3944 7311]: "Understanding and Reforming Industrial and Commercial Credit"]

[Text] Comrade Deng Xiaoping has pointed out many times that in order to carry out the four modernizations, we must carry out a series of reforms. Without reforms, it would not be possible to realize the four modernizations. Reforms must penetrate the entire process of the four modernizations. Recently, Comrade Hu Yaobang and Comrade Zhao Ziyang all pointed out, in this new year, we must accelerate the progress of economic reforms and the reforms in other sectors, start out from the actual situation, carry out overall and systematic reforms, insist on carrying out orderly reforms, carry out reforms under leadership and step by step, and after testing and carrying out reforms in stages and in groups, then we can gradually carry them out in order. This is the general principle of reform, and also a very important guiding ideology in properly establishing industrial and commercial credit. The Central Committee also proposed that reforms must depend on whether they are beneficial to the building of socialism with a Chinese character, whether they are beneficial to national prosperity and national development, whether they are beneficial to wealth and happiness of the people as the criteria to measure whether the reforms are right or wrong. If reforms are carried out surrounding these "three benefits" tightly, economic benefits will surely occur. Therefore, this year's industrial and commercial credit work must support the reforms in the various sectors of the national economy and while supporting the reforms of the sectors, the sectors must tightly control their own reforms. Whether a sector is supporting the reform of another sector or reforming itself, all efforts must be based on improving economic benefits.

#### Review of the Reforms in Industrial and Commercial Credit

Since the 3d Plenum of the 11th Party Congress, industrial and commercial credit has carried out some necessary reforms according to the directive by Comrade Deng Xiaoping on "changing banks to become the leverage to develop the economy and to reform technology" and the requirement proposed by Comrade Zhao Ziyang to shift all economic work toward improving economic benefits. Some have realized definite experience, some others are still being tested, some have just begun, some still await being reformed. After 3 years of practice,

some reforms have realized great achievements and the greatest achievement is that it has accumulated some experience in finding a new socialist road for industrial and commercial credit that has a Chinese character. These experiences, generally speaking, can be summarized by the "four ways, vitalizing three sectors, and two leverages."

## I. "Four Ways"

One is the many areas for credit. In recent years, we not only provided loans for floating capital, we also provided fixed capital loans. These have given bank credit work a brand new face. By the end of 1982, over 17 billion yuan had been given out cumulatively in medium- and short-term equipment loans, and they have served importantly to develop the production of daily consumer products and revive heavy industry. The scope of our loans is not limited to industrial and commercial enterprises. We have also begun to give out loans to social service professions, scientific and technical sectors and cultural and artistic sectors. The industrial and commercial credit of the People's Bank has gradually filtered into the various professions of town economies. The second is multiple economic elements. Past industrial and commercial credit had a tendency to "emphasize state-run enterprises, neglect collectives and prohibit individual economic entities." Now, we not only provide credit services to state-run and large collective enterprises, we also provide loan services to contractors, small neighborhood collectives, collective enterprises operated by intellectual youths, individual families, retailers and such economic elements. The third is the many methods of providing credit. To vitalize the economy, we have also established many methods of providing credit besides ordinary simple loan services, such as fixed-term deposits, trusts, seller's credit, cashing of checks, providing loans to neighborhood collectives for use. A new step has been made in better developing the leverage of bank credit and startup function. The fourth is that the past method of "fixed interest rate, live production and arbitrary uniformity in loan repayment periods" has been broken by providing multiple differential interest rates and loan repayment periods. The interest rates are determined by the type of loan and the time limit. In different regions, different professions, and loans for different purposes, we have implemented the floating interest rate, favored interest rate, added interest and interest penalty according to credit policy, and stipulated different loan repayment periods.

## II. "Vitalizing Three Aspects"

One is to vitalize production. To encourage products to be good and low priced and to encourage products to meet market demands, many types of credit activities were launched according to the principles of "separate treatment, providing assistance by selecting the superior" and "determining loan amounts according to sales." In particular, much effort was exerted in supporting the production of daily consumer products and in maintaining a definite rate of development in industry, and some experience was accumulated. Second, the flow of products was vitalized. Support was given to commerce to open up the channels of flow of commercial products between towns and villages, and support was given to distributing industrial consumer products in rural areas. Much work was done in supporting the vertical and lateral flow of products between cities

and rural areas. Third is to vitalize technical reform. This work has just begun. Some localities have already created some experience, for example, Shanghai's "depositing 100 and receiving a loan of 300" (supporting the trial-production of new products by the Textile Bureau, changing the capital by depositing 100 yuan and receiving 300 yuan in loan). Premier Zhao emphasized many times that technical reform must be vitalized. In the future, we still have to do a lot of work in this regard.

### III. "Two Leverages"

Banks must be the leverage in developing the economy and must also be the leverage in renovating technology. All workers on the banking front have done much work these last few years, and they have thought of many ways. The purpose is to better develop the function of banks in developing the economy and in renovating technology. Practice proves that to establish industrial and commercial credit well, we must study economic problems and technical problems in time and systematically, understand new situations, new problems, new experience and new achievements of each profession, understand the technical policies of each profession, understand the production and flow of products in the national economy in order to study credit policy in time, understand what should be supported and what should be opposed. We must have the courage to vitalize the economy and also practice supervision and control. We must insist on treatment in accord with difference, selecting the best and supporting it. In production and product flow, loans should be determined by sales, and in technical reforms, loans should be determined by the new (technology), we do not support reproduction of ancient relics.

In general, we must open up many realms for credit to serve many economic elements, use many methods of providing credit to implement multiple interest rates and loan repayment periods, vitalize production, vitalize the flow of products, and vitalize technical reform. We must make banks truly become the leverage in developing the economy and renovating technology, create a new road for socialist industrial and commercial credit that has a Chinese character. We have already begun the important first step, and we must continue forward along this direction.

### The Situation Encountered This Year and the Breakthrough in the Reform of Credit

This year, Document No 1 of the Central Committee proposed a series of rural policies. They will allow agriculture, forestry, animal husbandry and sideline production and fishery to develop further on an overall basis. Urban industrial and commercial enterprises will also implement the changing of profits into taxes, the contract system and many forms of economic responsibility systems. Individual economies will also undergo new development. The rural areas and the cities are all entering a new period of great socialist development in the production of commercial products. New things are emerging continuously, and the economic situation is changing day by day. In the face of such a situation, industrial and commercial credit work must catch up with the situation in guiding ideology. We must understand the situation, bravely carry out reforms, have the courage to be creative, and improve benefits. We must establish our efforts in reform, in vitalizing the economy, in guidance, and in stimulating



progress. At the same time, we must strengthen the supervision and management of credit, implement the policy of awarding the superior and penalizing the poor. Those enterprises that engage in careless production, whose economic benefits are not good, which are detrimental to the national economy must be subjected to credit sanctions. Those enterprises that benefit production and flow of products in the national economy must be supported and encouraged. This year, we must further perfect the "four ways", grasp "vitalizing the three aspects" well, and strive to promote the function of the "two leverages."

Where do we start in carrying out this year's reforms? It seems that strengthening the management of floating capital can be taken as a breakthrough. This is the major conflict in industrial and commercial credit work. We must further popularize efforts to provide loans according to the rate of sales, implement floating interest rates, concentrate all forces to accelerate the turnaround of floating capital, provide the funds necessary for supporting technical progress and funds for technical reform within state plans, and create a new experience to support technical progress. We must vitalize the work of providing credit to the three types of enterprises, the contract families, industrial and commercial entities that will change profits into taxes and individual industrial and commercial families. We must study the method of management of funds for these "three enterprises," develop a number of models for these "three enterprises" and a number of models that support technical reform. We must grasp this breakthrough in the management of floating capital, prepare and establish test points for banks to uniformly manage floating capital. This is the hope of the leading comrades of the State Council and also the main direction in developing the potential of funds.

The goal of accelerating the turnover of funds is to provide more funds for technical reforms and to better develop the leverage of banks in developing the economy and renovating technology. For 3 years, economic development has forced us to recognize some problems. The function of banks in developing the economy has attracted the attention of the party and administration at every level of banking. But there are many "necessary kingdoms" in this realm that have not been recognized by us. They require further exploration. We still do not have a profound understanding of the leverage of banks in renovating technology. This idea has not yet found its root among credit personnel in banks. In the past, many technical reform projects did not have repayment ability. We frequently regarded them as a prohibited area. Future credit work must turn on the green light for technical progress. We must develop the new and suppress the old, award the new and penalize the old. We must actively support the design, trial-manufacturing, popularization and development of new products, develop "a coordinated process" in technical renovation and popularization of new technology. In general, we must strengthen the leverage of banks in renovating technology.

This year, we must systematically carry out reforms of the credit system, acquire more new experience in the "four ways, vitalizing the three aspects, and the two leverages." We must systematically clarify the guiding ideology in business and the system of business regulations practiced before the Third Plenum, reform the unsuitable old systems under proper leadership, according to plan and step by step, and establish new systems.

As we summarize experience, clear up ideology and reform the credit system, we must gradually establish the post responsibility system in credit work, and implement the combination of responsibility, authority and benefits. Credit personnel must develop toward specialization, we must train many credit workers who have special skills and who are familiar with various professions.

#### Strengthen the Study and Exploration of Various Laws

In systematic reforms, we must have the courage to create new things, but we must take the clear understanding of the situation as the prerequisite condition. If the situation is not clear, if the determination is not great, we will rush ahead, the medicine will not be right for treating the disease, and we will be blind and turn from side to side. To carry out the reforms well, we must study and grasp some laws. I believe the industrial and commercial credit departments should mainly study three laws.

I. Studying the relationship between production relations and productive forces, and studying the relationship between the economic foundation and the superstructure. According to Marxist theory, the conflict between production relations and productive forces and the conflict between the economic foundation and the superstructure are the driving forces behind social progress. Productive force is the most active element. If we do not change those production relations and certain superstructures that confine productive forces in time, the development of productive forces will be hindered, and social progress will be hindered. At present, the key in economic reform is to change the situation of eating from the big pot. Changing the situation of eating "from the big pot" involves the question of production relations and also the question of certain superstructures. After reforms have been made, productive forces can be liberated in a big way. To carry out credit work well, we must study the relationship between productive forces and production relations, and between the economic foundation and the superstructure. We must support all reforms in production relations and certain superstructures which are beneficial to the liberation of productive forces and the further development of productive forces. These reforms will surely affect the source of credit funds and their utilization. At the same time, we must study the question of productive forces, because productive forces are the decisive factor no matter what. As Comrade Deng Xiaoping pointed out: "Agricultural development relies on policy and science. It is very important to rely on policy to mobilize enthusiasm, but there is a limit. Saturation will be reached after a definite period. The development and function of science and technology are indefinite." Therefore, we must study the development of productive forces, support technical reform of enterprises, turn on the green light for popularizing new technology. If we independently study the reform of the credit system apart from economic reform, we will not be able to adapt to the development of the national economy, and we cannot develop the function of the two leverages.

II. We must study the dialectic relationship between bank loans and planned economy and market regulation. An important guiding ideology is to take planned economy as the main task and market regulation as secondary in our nation's national economy. In the total amount of loans, we must constantly study the proportion of the amount supplied under national plans and the proportion of

the amount supplied by market changes, and the proportion in-between, and the laws of change of these proportions. We must also study well those changes that frequently occur in economic life, such as the recent price adjustment of textiles, and the opening up of the sale and transportation of food grains. To study these problems, we must first strengthen economic information, including product information, professional information, comprehensive information and such basic tasks. Economic forecasting is the soul of economic information. Experience in this regard is still very scarce. Capitalist nations have some good experience in this aspect that can be borrowed. Hubei and Shanghai have created some experience in the last 2 years. It is hoped that they can be summarized.

III. The Relationship Between Credit and Finance and the Enterprises. The leading comrades of the State Council pointed out when discussing the source of repayment of equipment loans and the period of repayment, that we must take care of the benefits of the three sectors, the financial sector, the banks and the enterprises. I believe that not only should the relationship among finance, banking and enterprises be studied when we consider the question of the source of repayment of equipment loans and the prepayment period, the entire effort to establish credit should also study the relationship among finance, banking and the enterprises. After the 3d Plenum of the 11th Party Congress, the proportional relationship in the distribution of funds among the three has continued to change because of the reforms in the system of distribution of funds. For example, of the fixed assets of the enterprises throughout the nation and the added amount of floating capital, bank loans constituted only 14 to 20 percent before 1979. After 1980, the proportion of bank loans increased to 30-40 percent. If we do not study these new questions and new laws, if we study loans alone, the work cannot be done well. We should take the mutual relationship and the pattern of variation among the three as constant topics of study.

In general, we must liberate ideology and be determined to carry out reforms. This requires a spirit of dismantling the old and establishing the new and creating a new situation, abandoning the feeling of being satisfied with the present situation, being conservative and following tradition or "waiting, relying, asking" and such attitudes that do not coincide with creating a new situation. Only in this way can we catch up with the progress in reforming agriculture, industry and commerce and serve as the promoters of reform.

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CSO: 4006/487

## FINANCE AND BANKING

### NECESSITY OF SUBSTITUTING TAX PAYMENT FOR PROFIT DELIVERY

Shanghai JINGJI RIBAO in Chinese 4 May 83 p 3

[Article by Song Yifeng [1345 0001 1496]: "The Necessity of Substituting Tax Payment for Profit Delivery"]

[Text] Except for a few enterprises for which the state has already approved the implementation of other forms of distribution, all state-run enterprises nationwide will change the original method of transferring profits to the state to paying taxes according to the forms and at the rates determined by the state. This is an important reform improving the relationship between the state and the enterprise. Work to substitute tax payment for profit delivery will proceed in steps. This year the first step will be implemented--coexistence of profits and taxes. Thoroughly grounding this reform measure and gradually perfecting it requires a great deal of calculating and preparatory work as well as constantly resolving the new problems that will appear in the implementation. Substituting tax payments for profit delivery is a new task and it is also very complex, involving in particular problems of the distribution of profit in several areas, thus to make this work go smoothly, first of all, everyone's understanding should be unified and its necessity fully understood.

"Gradually implement the substitution of tax payment for profit delivery for state-run enterprises and change the relationship of the state and the enterprise." This was stated in the "Report on the Sixth 5-Year Plan" passed by the Fifth Plenary Session of the Fifth People's Congress. Substituting tax payment for profit delivery is a policy of reform of the economic-management system, and one of the missions of the three key reforms in the recent period. That is, starting with the three key tasks of gradually implementing substitution of tax payment for profit delivery for state-run enterprises, developing the role of the central cities, and reforming the commercial circulation system will spur on the work of reforming the entire economic system. Thus, promoting the significance and function of substituting tax payment for profit delivery is not only limited to the reform of the distribution system of the state and enterprise, but is work which must be done one step ahead of the synchronous operation of the reform of the entire economic system.

Implementing substitution of tax payments for profit delivery is advantageous for dividing on this basis the financial outlays of the central authority and

the local area according to type of tax and further reforming the state financial system; it is advantageous for gradually implementing rational division of labor between the state and the enterprise and dividing administrative management and enterprise management; it is advantageous for further promoting the resolution of the contradiction of central and local authorities; it is advantageous for enterprises becoming economic units which have managerial autonomy and independence; it is advantageous for clearly specifying the responsibilities and obligations of the enterprise toward the state on a legislative basis and establishing a long-lasting and stable relationship between the two; it is advantageous for the enterprise to have a pretty good idea of its own results of management and economic gains and thus actively improve administration and management and make long-range plans to improve economic results; it is advantageous for making the enterprise strengthen financial management, economic accounting, strengthen internal economic-responsibility systems to make the administrative autonomy of all aspects of the broad enterprise have a more solidly grounded foundation; it is advantageous for applying the leverage of tax revenue to make the enterprise's organizational structure gradually become more rationalized; and at the same time it also created the necessary conditions for reform of the plan-management system, labor-wage system, and pricing system. As long as it is viewed from the long-range and fundamental direction and work begins with key problems, then it will be possible to gradually put in order all relationships and then it will be possible to make all problems such as "many mothers-in-law, little authority, heavy burdens" be resolved rationally and properly.

In dealing with the relationship between the state and the enterprise in terms of the distribution system, comparing the distribution forms of percentage of profit for retention and contract responsibility with substitution of tax payments for profit delivery, the latter is more scientific. This is because this form is more reliable and can be more enduring so that a more stable relationship can be established on a rational and legislated foundation between the state and enterprise which is both advantageous for guaranteeing the steady growth of state revenues and the progress of key state construction and at the same time is advantageous for the enterprise to exercise its administrative autonomy and continue to develop in a steady and planned way.

Some comrades feel that most enterprises are already implementing economic-responsibility systems of other forms of distribution and the enterprise should be permitted to freely choose a suitable form on the basis of their own circumstances and that substituting tax payment for profit delivery should not be implemented uniformly by all. Other comrades think that implementing the method of progressive increase of profit contract responsibility exerts the greatest pressure and impetus on the enterprise and should be spread. Seen from the perspective of the enterprise's partial and near-term interests, this may make sense. Since expansion of enterprise autonomy in 1979, we have carried out pilot projects in many forms of distribution and conducted explorations from many aspects. It should be said that many obtained clear results and compared with "unified income and unified expenditure" it demonstrated a variety of advantages and the enterprise also enjoyed the taste of it. However, it also clearly had some shortcomings and problems. Most outstanding

were: 1) it could not guarantee that the state would receive the greater share of the portion of enterprise-increased production and income; 2) it was hard to set the base and there was always bickering. The general situation was that the base was frequently on the low side which was not advantageous for making enterprises strive to develop internal potential; 3) joys and sorrows were not equally shared between industries and enterprises and it could not really manifest the principle of distribution according to labor and the policy of encouraging the advanced and spurring on the backward, and rewarding the diligent and punishing the lazy, and it was not advantageous for readjusting enterprise organizational structure. Due to the fact that the economic system has not yet been comprehensively reformed, prices and value are seriously out of adjustment; there is a disparity in profit rate between enterprises; the gap between the advanced and the backward is great; we still do not have a complete written cost law; economic accounting foundation work is still very weak; between enterprises there is no reliable social average profit rate; how much profit an enterprise realizes cannot accurately reflect the reality of the results of labor. All these factors can make it hard to avoid the above-mentioned shortcomings and problems. Moreover, under the above-mentioned circumstances and conditions, a quickly determined base and enterprise "vested interests" also can have an impact on the further reform, in comparison, substituting tax payment for profit delivery both conforms to and is advantageous for the direction of the reform of the entire system. Furthermore, just considering the actuality of the many forms of profit-and-loss responsibility systems which most enterprises tried out in the past few years and then deciding on a two-stage implementation has guaranteed the rational interests of the enterprise. In terms of the 55 percent of the profits which the state gets first, not only does it guarantee that the state will receive the greatest share when the enterprise increases production and income, but on the other hand, when the enterprise decreases production and income, the state similarly gets decreased tax revenues and shares the difficulty with the enterprise. As for those which urgently need technological reform and for which projects are already part of the state plan, the state will adopt the necessary measures to resolve them. (After the system gradually moves toward the rational, apart from key state-planned projects, funds for enterprise renewal and transformation should be handled through rational appraisal and approval of replacement funds.)

After implementing the first step of substitution of tax payment for profit delivery and the enterprise hands over the 55 percent of profit tax, the methods of a variety of forms of contract responsibility or retention of a portion can still be adopted as a transition. From now on, in distribution, the relationship between the state and the enterprise will be a tax-paying and tax-receiving relationship and in accordance with the demands of relevant state policies and through extensive survey and research, tax forms and tax rates should be designed to develop its leverage to promote the development of the the entire economy and they should be fixed in legislative form. Within the enterprise, it is still necessary to implement various forms of economic-responsibility systems depending on different conditions and circumstances to mobilize the labor initiative of the staff and employees with profits, resolve problems of "everybody eating from one big pot" and overcome egalitarianism.

Of course, after the enterprise changes the various forms of distribution into substitution of tax payment for profit delivery, different circumstances and experiences may appear in the enterprise and some may feel that the state's supervision is too strict and from now on they must rely on their own true abilities, rely on their own technological progress, upgrade the level of economic management, strive to increase production while economizing, and improve economic results, and this is good. Some may, for a variety of reasons, through striving still be unable to maintain the original level of rational profit retention and may for a limited time have taxes reduced as appropriate and guidance strengthened. After implementing substitution of tax payment for profit delivery, the portion of the enterprise's increased income from increased production after paying the tax should be left open to give the enterprise some room to retain more, to increase production and increase income. This is also necessary to mobilize initiative in a variety of areas.

Those which now demand successive profit increases contracts are largely the enterprises which have fulfilled their present mission, have products in great demand, and have great potential, as well as some enterprises which have high profits under the current irrational pricing system, especially metallurgical and chemical industry processing industries. For example, metallurgical enterprises have thought of ways to consume and reprocess pig iron and steel bloom themselves so that value of output and profits can increase very greatly. If large and medium enterprises with great potential and high profit rates all implemented responsibility for profit increases and the base and the increased profit rate was lower than the level which the state plan demands for revenue and, on the other hand, enterprises with large losses still want state subsidies, then this will of necessity affect state revenues and key state construction and seem from long-range and fundamental viewpoints is not advantageous for development of the enterprise either. Even better enterprises cannot maintain normal increases and results under conditions in which there is lack of coal, electricity is cut off and transportation is not flourishing. From now on the system should continue to be reformed, prices should gradually be adjusted, and under unstable circumstances where there are many changeable factors in conditions inside and outside the enterprise, being wrapped up and rigid also has no advantages for the state and enterprise. A few years ago, our reform of the system on the industrial and communications front began primarily with the microeconomy and expanding enterprise rights. This was necessary and it also had clear results. However, with the further development and deepening of reform, invigoration of the microeconomy must be combined with the adjustment of the macroeconomy and should conform to the demands of the macroeconomy and consider and balance reform of the enterprise-management system in terms of interests of the entire situation, otherwise it will be difficult to continue.

The direction of substituting tax payment for profit delivery has already been decided, and the principle is also very clear. Other reforms should be coordinated with this reform. It should be said that though there is still much detailed work that should be done, if people's understanding is unified and initiative is mobilized, it can go along smoothly. In practice, new circumstances and new problems of necessity may appear, but if exploration continues they can be resolved and make it constantly better.

## FINANCE AND BANKING

### SUBSTITUTION OF TAX PAYMENT FOR PROFIT DELIVERY

Guangdong NANFANG RIBAO in Chinese 6 May 83 pp 1, 2

[Article: "Stress Substitution of Tax Payment for Profit Delivery As an Important Reform; Provincial Industrial and Communications Work Conference Relays the Speech of Comrade Ren Zhongyi Which Advocates That the Pace of Implementing Substitution of Tax Payment for Profit Delivery Be Accelerated as Much as Possible and Demands that Attitudes be Positive, Measures be Reliable, and Work be Well Grounded"]

[Text] The Provincial Industrial and Communications Work Conference convened yesterday in Shaoguan. The views of Ren Zhongyi [0117 0022 1138] first secretary of the Provincial CPC Committee, concerning upholding reform and, in the spirit of reform carrying out substitution of tax payment for profit delivery were relayed at the meeting.

Comrade Ren Zhongyi said that since the 3rd Plenary Session of the 11th Party Central Committee, the Central Committee has emphasized reform and at this All-China Industrial and Communications Work Conference, Comrad Zhao Ziyang also stressed that the pace of reform should be accelerated and that at the right moment, reform should be given prominence and the momentum of reform continue to be developed in a solid way. Substitution of tax payment for profit delivery itself is reform and we should consider substitution of tax payment for profit delivery an important reform to be stressed conscientiously. The advantages of substitution of tax payment for profit delivery is that it can stabilize the relationship between the state enterprise in distribution of profits, and can be automatically regulated, particular things improve as the general situation improves, and as long as production grows, the benefits to the state and enterprise will grow steadily. When speaking of the advantages of the substitution of tax payment for profit delivery, he did not want to set it against responsibility systems nor deny the term "contract." First of all, the term "contract" had been advocated by the Central Committee all along, and Central Committee leadership comrades say that whether it is industry or agriculture, as soon as there are contracts there is effectiveness. If we now deny the term "contract" then we cannot link up with something which the Central Committee has advocated all along, and we will have lost continuity and it will be easy for our thinking to become confused. Second, seen from the perspective of practice, in recent years the systems of economic responsibility (figuratively speaking, contracts) have been implemented and the results



have been very outstanding and the achievements evident. Third, in the past our province carried out substitution of tax payment for profit delivery as one type of responsibility system (also called contracts) to be tested and have always viewed the two as the same. What we call "contract" is to make the enterprise have responsibilities, rights and interests, and in this way make the enterprise both be invigorated, also be put under pressure, and to be motivated as well. Actually, the contract system which some enterprises implemented in the past, under which a portion of profit was retained according to a ratio, is very similar in method to the system of handing it all over as taxes. Thus, in implementing substitution of tax payment for profit delivery, we should not oppose it to the term "contract" nor should we oppose it to the economic-responsibility systems, so as to avoid creating the misconception that now it is a correction. Fourth, other forms of responsibility systems will still exist after substitution of tax payment for profit delivery is implemented. For example, guarantees of product variety and quality still must be an economic-responsibility system for the enterprise to contract. Both parties in capital construction will still have to use the contract system, and there will still be responsibility systems and contract systems at all levels within an enterprise.

Comrade Ren Zhongyi said that we are still too lenient with enterprises in some places. Some enterprises do not put forth much effort, but merely do well easily due to objective factors such as pricing, and after they have done well, they do not increase their contribution to the state. Such questions must be conscientiously resolved. However, it should also be noted that many of our enterprises have little autonomy, and are overmanaged in terms of personnel, money, material, production, supply and sales, and do not have much room to maneuver. From now on, with regard to enterprises, we should be strict where appropriate and lenient where appropriate. To invigorate the economy, after implementing substitution of tax payment for profit delivery, we should also give enterprises more autonomy, including appointment and dismissal of cadres within certain limits, recruitment of staff and workers, sales of certain of their own goods, floating prices on some goods, bonuses for employees, etc. The separation of government and enterprise should also be conscientiously implemented, and the government should not interfere in matters which are within the scope of an enterprise's autonomy. I advocate that we promote the pace of substitution of tax payment for profit delivery as quickly as possible and at the same time pay attention to proceeding from the actual situation. Our demands should be that attitudes be positive, pace be steady and work be well grounded. Because the situation of substitution of tax payment for profit delivery is rather complex, it will be necessary to carry out concrete analyses of different industries and different enterprises and do the work carefully. In substitution of tax payment for profit delivery and in all reform work, it is necessary to continue to carry out communist education of the broad cadres and the employee masses, including carrying out education of the correct handling of the relationship of the interests of the state, enterprise and individual, education that the partial interests come after the interests of the whole, education on rectifying labor attitude and strict labor discipline, and also education among the broad employee masses that the more work, the more gain, distribution according to work and antiegalitarianism. Egalitarianism is

not communism. In egalitarianism, hard work and laziness are not distinguished, it is the talisman of the lazy man, and we should combine implementation of distribution according to work, with more work for more pay, with rectification of discipline, and with putting a stop to excessive bonuses.

This speech by Comrade Ren Zhongyi was given at the Provincial CPC Standing Committee. After the All-China Industrial and Communications Conference, the Provincial CPC Standing Committee convened two conferences and conscientiously studied and implemented the spirit of the All-China Industrial and Communications Conference and the speeches of the leadership comrades of the Central Committee.

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## FINANCE AND BANKING

### SUBSTITUTING TAX PAYMENT FOR PROFIT DELIVERY DISCUSSED

Shanghai JIEFANG RIBAO in Chinese 8 Jun 83 p 4

[Article by Yong Wenyan [7167 2429 6678], Wei Kefu [7279 0344 3940] and Zhou Kaida [0719 7030 6671]: "Responding to Several Questions About the Substitution of Tax Payment for Profit Delivery"]

[Text] According to the Ministry of Finance's "Concerning the Experimental Method To Substitute Tax Payment for Profit Delivery" which has been approved by the State Council, from 1 January of this year, all state-run enterprises in the country, except for a few, will substitute tax payment for profit delivery to the state, and the process of tax collection will begin from 1 June. This is an important reform of the economic system. There are comrades who have some queries about this and we shall briefly discuss the main points here.

Some comrades believe that the implementation of substituting tax payment for profit delivery is not very different from the original system of profit retention, except for a recalculation of the ratio and a change in the method of delivery; it is the "same medicine prepared differently." We believe that this view is not comprehensive.

There are two steps in the implementation of substituting tax payment for profit delivery in state-run enterprises. The present is the first step. All state-run large-, medium- and small-scale enterprises with a profit will first pay an income tax based on the tax rate of 55 percent; a portion of the profit after tax will, according to the retention level stipulated by the state, be retained by the enterprises, while another portion will still be delivered to the state. Small-scale state-run enterprises with a profit will pay an eighth-grade above-quota progressive tax, and be responsible for gains or losses. The second step is for the large- and medium-scale enterprises to fully implement substituting tax payment for profit delivery, paying only taxes to the state, and retaining all the profit that is left over after tax, while at the same time assuming responsibility for gains or losses. Certainly, there are similarities in comparing the first step in the implementation of substituting tax payment for profit delivery with the system of profit retention: for example, in both cases, portions of the profit can be used as enterprise funds for the development of production and the welfare and bonuses of the workers and staff members; but there are also important differences, manifested mainly in the following aspects:

1. The form of the distribution relationship is different, and the substitution of tax payment can more promptly and securely guarantee the state's fiscal revenue. The profit retention system is to deliver to the state entirely in the form of profit, while substituting tax payment for profit delivery is to deliver the main portion to the state in the form of income tax. This change is not merely a change in form. Taxes are collected from an economic unit or individual in accordance with the stipulations of the laws of the state. This is a form through which the state, relying on its political authority, participates in the distribution and redistribution of the national income so as to acquire the wealth of the society. It has a compulsory nature. According to the statistics of the departments concerned, after substituting tax payment for profit delivery, the proportion of tax income will reach about 80 percent. This way, the state's budgeted income is more secure and reliable.

The profit delivered by the enterprises is the state's participation in the distribution of pure profit income, relying on its ownership of the means of production. Judging from the conditions during the previous period when the system of profit retention was carried out, because of the discrepancies between enterprises' business conditions and the level of profit, changes in the state's plans, and the readjustment of prices which affected the benefits gained by the enterprises, there often developed conflicts over ratios and base figures, and the distribution relationship between the state and enterprises could not be easily stabilized. Comparing the two, substituting tax payment for profit delivery provides more protection for the state's fiscal revenue.

2. There is a difference in the responsibility, authority and profit to be shouldered, and for the enterprises, the substitution of tax payment for profit delivery provides greater pressure, motive power and vitality than the profit retention system.

Speaking from the standpoint of pressure, after substituting tax payment for profit delivery, because tax collection is compulsory, not only will those whose tax payments are in arrears be subjected to fines, those enterprises which evade taxes will also have to shoulder the burden of the law. The pressure on the enterprises has been increased.

Speaking from the standpoint of motive power, if the management standard of the enterprise does not change, then after the substitution of tax payment for profit delivery, the level of profit retained by the enterprise, under normal circumstances, will be the same as last year's when the profit retention system was in effect. But from the standpoint of development, if this year's management is better than last year's, then the profit to be retained by the enterprise will in general be higher than when only a percentage of the profit is retained. According to estimates, the rate of profit retention by Shanghai's seven local industrial bureaus was 11.9 percent in 1982; according to the method of substituting tax payment for profit delivery, the enterprise pays 55 percent of income tax on the portion of profit that is an increase over that of 1982, and after the tax payment, the adjustment tax portion of the profit can be reduced by 60 percent, and

the enterprise can obtain 31.7 percent of the increased profit. This is more than double the original profit retention rate of 11.9 percent.

Speaking from the standpoint of vitality, since after gaining additional profit, the enterprise would have more enterprise funds than when profit retention was in effect, it can thus use them to carry out technological transformation, develop new products and push forward with the development of production. It can also have more welfare funds for the workers and staff members, to repair and construct residences for them and to improve their welfare; the quota for the enterprise to receive rewards can also be increased.

3. The departments to which funds are delivered are different. Enterprises carrying out profit retention deliver profit on the basis of the relationship of administrative subordinates. After the substituting of tax payment for profit delivery, 55 percent of the enterprises' profit first goes to the state tax organizations in the form of income tax; and although a portion of the profit after tax will still be delivered according to the relationship of administrative subordinates, this is nonetheless different from the situation in which the enterprises belong entirely within the relationship of administrative subordinates. This will be beneficial to the future emancipation of the enterprises from excessive administrative intervention and create conditions for the enterprises to become an opposite and independent economic system.

4. Small-scale enterprises, based on the method of collective ownership enterprises, implement the eighth-grade above-quota progressive tax, and are responsible for gains or losses. The profit after tax, except for the levying of fixed contract fees for those enterprises with excessive profits, will be retained by the enterprises.

There will be even greater differences when the substitution of tax payment for profit delivery is compared with the profit retention system after the second step of the former is implemented fully. At that time, the income distribution relationship between the state and the enterprises is one between the collection and payment of taxes. The enterprises have to be responsible for gains or losses, and this completely changes the situation in which everyone eats out of the big communal pot. The enterprises become an opposite and independent economic system, having more pressure, motive power and vitality. They can then break through the systems of departmental or local ownership, and this promotes horizontal integration and reorganization according to specialization of the enterprises. At the same time, this will create the conditions for the reform and improvement of the graded fiscal management system between the center and regions.

In order to reinvigorate the economy and expand the autonomy of the enterprises, state-run enterprises have successively implemented such methods as enterprise funds, profit retention and profit retention for the entire trade. Every step forward brings about greater autonomy for the enterprises and increase in the level of enterprise retained profit. Some comrades hope that the enterprises will get even more profit at this occasion of substituting

tax payment for profit delivery. It is understandable that enterprises would want to retain more profit for the reinvigoration of economics at the micro level. But speaking from the standpoint of the present fiscal situation of the country, this action is out of the question.

The principle of this implementation of substituting tax payment for profit delivery is not to press too hard but also not to give way. Speaking for the country as a whole and using the figures of 1982 as the base figures for calculation, the enterprises maintain last year's level of retained profit, and it is only for certain enterprises whose levels are too high or too low that adequate readjustments have to be made. This is to guarantee the country's fiscal revenue and the smooth progress of the key construction projects. In the past few years, the state has, through the implementation of such means as enterprise funds and enterprise retained profit, already transferred a sizeable portion of the fiscal revenue to the enterprises. From 1979 to 1982, the whole country has retained about 42 billion yuan for the enterprises, and this is a very large amount. The level of retained profit for the country's enterprises has gradually increased each year; in 1980, it was 11.9 percent; in 1981, it was 13.2 percent, and in 1982, it increased to about 15 percent. The enterprises hope that the state would yield to them additional profit through the substitution of tax payment for profit delivery, but that will most certainly affect the state's fiscal revenue and key construction projects. The concentration of capital on the building of key construction projects is the deciding factor in determining if our country can realize the strategic objective of "quadrupling" by the end of this century. In a country like ours where the economy is still relatively backward, if financial resources and manpower are not concentrated appropriately, then great things cannot be accomplished; and if great things are not accomplished, small things cannot be successfully accomplished, and in the end, nothing will be done. Therefore, we have to establish a comprehensive viewpoint and cannot one-sidedly stress that the enterprises should gain more and overlook the major task of vigorously developing the country. Of course, we cannot ignore the benefits of the enterprises and the workers and staff members.

At this time, although the enterprises, through the substitution of tax payment for profit delivery, can only obtain the original level of retained profit, yet from the angle of increasing income, the enterprises can still get more than the method of profit retention. However, it is only through hard work, improving results and increasing incomes that they can obtain even greater benefits, and it is not merely through the sharing of profit with the state that the enterprises can gain more.

As to the question whether the enterprises can get a little more "profit," it also involves enterprises which are carrying out the contract system. Because some enterprises have calculated relatively low contract base figures, they have gained more profit, and this implementation of substituting tax payment for profit delivery may reduce part of the profit gained. In order to guarantee that the state will get the biggest share, the enterprises the smaller share and the individuals the smallest share, those enterprises that have implemented the profit-contract system or contract

system should, except for a few approved enterprises, on principle change over to the system of substituting tax payment for profit delivery in accordance with the state's unified regulations on the system. Within the enterprises, the contract responsibility system can be used. This decision of the state is a correct one in order to guarantee the state's fiscal revenue and the needs of key construction projects; at the same time, it can eliminate the new unevenness in happiness and sorrow brought about by the contract system.

Some comrades said that this substituting of tax payment for profit delivery is like whipping a fast cow. This question has to be examined dialectically. The principle of the implementation of substituting tax payment for profit delivery is not to press too hard but also not to give way. The original portion that is to be left to the enterprises according to regulations will remain intact. However, because of the use of the 1982 figures as base figures, those enterprises with good economic results will indeed shoulder a higher income tax as well as a larger portion of after tax profit that is to be delivered, and when compared with the average enterprises, they make greater contributions to the country. This is necessary in order to guarantee the fiscal revenue of the state. Certainly, there is a limit and one cannot drain the pond to fish or let the fast ox get tired. Summing up, we should not only let the fast ox shoulder more, but should also encourage it, so that the advanced enterprises can gain more profit than the average enterprises and have something to strive for. After the implementation of substituting tax payment for profit delivery, the state should from now on continue to improve the design of tax items and tax rates, so as to encourage the fast ox and whip the slow one.

At present, because our country's price structure is irrational, there is a great disparity in profit rates between enterprises and there is no average profit rate in society that can be used as a standard for the different trades and industries. The amount of profit realized by the enterprises cannot accurately reflect the result of the enterprise management. Under these circumstances, an important objective of implementing the substitution of tax payment for profit delivery is indeed to encourage the fast cow and whip the slow one. As for the first step in the present implementation of substituting tax payment for profit delivery, if the enterprise is managed well, the state can adjust the tax on the portion of increased profit and reduce it by 60 percent, thus allowing the well-managed enterprises to make more profit and to a specific extent manifesting the spirit of encouraging the fast cow. Since the use of the 1982 figures as base figures involves certain irrational factors, we can in the future step by step make compensations through the readjustment of tax items and tax rates. The second step of the substitution of tax payment for profit delivery will be the implementation of the system in which the enterprises shoulder their own losses and gains. That will further embody the need to encourage the advanced and whip the slow cow.

The direction of the implementation of substituting tax payment for profit delivery is set and the principle is clear. It is correct not only from the theoretical point of view, but judging from the situation of pilot

implementation, the results are also good. Comparing 1981 with 1980, the gross output value of 456 test enterprises increased by 2.5 percent, the sales income by 8.9 percent, the profit realized by 18 percent, and the taxes and fees delivered to the state by 13.6 percent. When compared with the average figures for the state-run industrial enterprises of the country, these four indicators are higher by 0.21 percent, 6.25 percent, 18.98 percent, and 22.09 percent respectively. The state obtained 60.13 percent and the enterprises 39.87 percent of the increased profits, thus manifesting the principle of the state getting the biggest share, the enterprises the smaller share, and the individual the smallest share. The result of practice proves the superiority of substituting tax payment for profit delivery over the method of profit retention.

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## FINANCE AND BANKING

### JINGJI GUANLI ON CONTROLLING UNBUDGETED FUNDS

HK050815 Beijing JINGJI GUANLI in Chinese No 6, 5 Jun 83 pp 22-25

[Article by Zhang Feng [1728 6912] and Ge Tianming [5514 1131 2494]: "Macroscopic Control of Unbudgeted Capital Should Be Stepped Up"]

[Text] Currently, the unbudgeted capital funds possessed by various localities, departments, enterprises and institutions are in large quantity and are very useful. However, there are many problems connected with the use and management of these funds. To improve the results of the use of these funds, we must strengthen macroeconomic control over them.

#### The Sources and Composition of Unbudgeted Capital Funds

Considering the example of the acquisition of unbudgeted capital funds in 1982 by various prefectures, cities and departments in Jiangsu Province, as reported by them to higher authorities, the principal sources and composition of these funds are as follows:

1. Some 3.4 percent of the total unbudgeted capital funds consists of the subsidiary receipts collected by local financial departments (including industrial and commercial taxes, agricultural taxes, fishery taxes, and subsidiary income of municipal public utilities), centralized enterprise funds (including the centralized aggregate of profits retained by the "five categories of small" enterprises run by county authorities and enterprises' renewal and transformation funds), the income of productive institutions under the centralized control of the financial authorities, and so on. These funds constitute a kind of flexible local financial resource. They come from various departments and units, and are used for the benefit of these departments and units. Because centralization of these financial resources is carried out gratuitously, this centralization is coercive. However, because these funds are not included in the state's financial budget and can be flexibly used by the local authorities, they are flexible in nature.
2. Some 10.2 percent of the total unbudgeted capital funds come from the balance between payments and receipts arising from the operation of administrative institutions, including the income of communications and postal institutions, the income of agricultural and forestry irrigation works, the school fees and miscellaneous fees received by middle and primary schools, the income of cultural, medical and health, and broadcasting institutions, the income from production in the field of scientific research and experimentation, and so on. These funds enable the institutions to be self-sufficient.

3. Some 28.7 percent of the total unbudgeted capital funds consist of various items of capital funds for special uses withdrawn or retained by enterprises under ownership by all people (including funds for equipment renewal and technological transformation, major repair funds, enterprise funds, production development funds, staff welfare funds, and so on), and profits retained by these enterprises (a certain percentage of their total profits). Some 15.4 percent of the total unbudgeted capital funds consists of special funds and after-tax net profits withdrawn by enterprises in towns and cities under collective ownership. Some 22.4 percent of the total unbudgeted capital funds consists of special funds and after-tax net profits withdrawn by enterprises in the countryside run by communes and production teams. Within the scope prescribed by the state financial policies, the enterprises, in particular those under collective ownership, have the power to determine the use of their unbudgeted capital funds. That part of the enterprises' profits turned into enterprise funds and production development funds are essentially accumulation funds, whereas that part of the enterprises' profits turned into staff welfare funds and rewards funds are essentially consumption funds. The enterprises' depreciation funds, equipment renewal funds, technological transformation funds, and major repairs funds are kinds of funds which compensate for the consumption of total social product.

4. Some 1.8 percent of the total unbudgeted capital funds consists of special funds appropriated by provincial administrative departments. Some 13.4 percent of the total unbudgeted capital funds consists of various categories of special loans provided by the state bank (including small-scale technological measures loans, short-term foreign exchange loans, and special loans for the export of industrial products). Special funds appropriated by provincial departments are provided gratis. The use of special loans involves repayment of principal plus interest. These loans are mainly used for investment in fixed assets. They essentially belong to accumulation and consumption funds.

5. Some 4.7 percent of the total unbudgeted capital funds consists of other funds (unbudgeted capital funds, different from the four categories mentioned above, that are managed, distributed, and used by various units on their own).

#### The Role of Unbudgeted Capital Funds in Promoting Economic Development

Unbudgeted capital funds constitute the main source of a locality's funds for the development of the economy, science and technology and social undertakings. They play the important role of promoting economic development.

First, they support the development of light industry and the textile industry. From 1980 to 1982, unbudgeted investment in capital construction in Jiangsu was 490 percent of the budgeted investment. A large proportion of the investment was for the capital construction of light industry and the textile industry.

Second, they increase the enterprises' circulating capital funds. From 1980 to 1982, in Jiangsu Province, the increase in circulating capital funds accounted for by unbudgeted capital funds was 1,160 percent of the increase accounted for by budgeted funds.

Third, they facilitate the enterprises' technological transformation. From 1980 to 1982, in Jiangsu, the amount of unbudgeted capital funds used for this purpose was 1,000 percent of the amount of budgeted funds used. In particular, in 1982, the former was 10,000 percent of the latter.

Fourth, they are used to build residences for workers. Over the past few years, in Jiangsu Province, around 5 million square meters of accommodation was built for workers. The total investment was 1.6 billion yuan. Out of this, the state's budgeted investment was less than 0.2 billion yuan, while unbudgeted investment reached 1.4 billion yuan, equivalent to 700 percent of the former.

Furthermore, unbudgeted capital funds play a positive role in the development of science, education, cultural undertakings, medical and health services, and public utilities, and also in increasing the workers' welfare and rewards. In these fields, the spending of unbudgeted capital funds has not only increased year after year, but has exceeded the total spending of budgeted funds. Considering comprehensive financial planning, the spending of unbudgeted capital funds in Jiangsu has amounted to 300 to 400 percent of the spending of budgeted funds. [phrase indistinct], unbudgeted capital funds are in a very important position.

#### The Trend of Development of Unbudgeted Capital Funds

During the first 5-year plan period, in Jiangsu, unbudgeted capital funds amounted to only 25 percent of budgeted capital funds; but now, the former have approached or even exceeded the latter. The trend of development of unbudgeted capital funds during the Sixth 5-Year Plan period embodies three characteristics:

1. Revenue will grow steadily, not as abruptly as in the past few years. This is because while continuing to practice the existing financial system and to safeguard the decisionmaking power due the enterprises, we must, in the light of the real conditions of different localities and industries, appropriately readjust the distribution of profits as a kind of financial revenue between central authorities and local authorities as well as the proportion of profits to be retained by the enterprises, so that the relationship between the three parties can be more rationally planned. Considering the need for upgrading economic results, the growth of budgeted capital funds and unbudgeted funds will roughly be in pace with the development of production. These funds will grow steadily.
2. The difference in the growth rate of enterprises' unbudgeted capital funds between enterprises under ownership by the whole people and those under collective ownership will gradually diminish. This is an inevitable result of the gradual diminishing of the difference in the growth rate of output between those two categories of enterprises.
3. The depreciation charges and major repairs funds withdrawn and retained by the enterprises will continue to increase steadily. Since 1979, in Jiangsu, the annual total sum of budgeted capital funds and unbudgeted funds invested in productive construction has not been less than 1.7 billion yuan, on the

average. With the successive handing over of various new fixed assets for utilization, the depreciation charges and major repairs funds withdrawn and retained by the enterprises will correspondingly increase steadily.

### Conscientiously Strengthen the Management of Unbudgeted Capital Funds

In recent years, Jiangsu Province has attached relatively great importance to the management of unbudgeted capital funds. In the latter half of 1981, to further improve the comprehensive equilibrium in social capital funds, the provincial people's government decided to try to formulate a comprehensive financial plan. In the province, some 82 prefectures, towns, cities, counties and offices and bureaus concerned at the provincial level together formulated the comprehensive financial plan for 1982. This tentatively formulated plan plays a certain guiding role in the use of unbudgeted capital funds. In the light of the requirements of readjustment, while examining and gathering plans concerning the receipt and spending of unbudgeted capital funds, various localities have provided the necessary guidance over the orientation of use of the funds, the items of construction, and the turnover of funds. They have achieved some success and gained some experience. However, because this kind of work has only just started, there are still many problems, the principal ones being considerable diversification in the source and use of unbudgeted capital funds, laxness in management, the lack of unified planned guidance and economic legislation, and the existence, to a certain extent, of blindness and confusion. A particularly marked problem is that an excessive proportion of unbudgeted capital funds has been used for investment in fixed assets and there have been serious cases of repetition in [word indistinct] and aimless construction. Thus, the economic results of the use of unbudgeted capital funds have been far from satisfactory. Therefore, we must strengthen investigation and study, conscientiously sum up experience, vigorously explore and strengthen practicable methods of managing unbudgeted capital funds, and exercise macroeconomic control over these funds.

(1) We must formulate a correct principle of management. In the first place, we must firmly establish the idea that "the whole country is like a single game of chess." Unbudgeted capital funds are that part of the total social capital funds, which, in the redistribution of these social funds, are received and spent by various units concerned on their own. Compared with budgeted capital funds, they have the following several characteristics. First, diversification: This is mainly reflected in diversification in source, use, possession of funds and management. Second, flexibility: Although the state has set regulations on their use, however, in their use by the localities, enterprises and institutions, flexibility is still an important feature. Third, blindness: Because of diversification of funds, flexibility in their use, and the habit of localities and departments to consider partial interests in the use of the funds, which leads to certain limitations in their use, blindness easily occurs in using the funds. To exercise macroeconomic control over the funds, we must, in the light of their characteristics, do a good job of management by appropriate methods and with the right aims in mind. The principles of management are: to strengthen planning, to prevent spontaneous circulation, not to practice egalitarianism or indiscriminate transfer of funds, to avoid excessive concentration or diversification, to

exercise control without leading to rigidity, and to achieve flexibility without bringing about confusion. Under the precondition that the power over the use of unbudgeted capital funds is not changed, we must strengthen planned guidance, coordinate the limits within which funds in various channels are used so that they are compatible with budgeted capital funds, maintain compatibility between financial resources, material resources, and human resources, improve the economic result of the use of the funds, and achieve comprehensive equilibrium in the distribution of the funds.

(2) We must vigorously guide unbudgeted capital funds onto the track of planning. To exercise macroeconomic control over these funds and to strengthen the management of these funds, various planning and financial departments must opportunely discover and analyze the problems in our national economy and problems of social development, master economic information, put forth guidance views, pay attention to and study how to use economic measures such as increasing or decreasing tax items, readjusting tax rates, readjusting prices, introducing differential interest rates, readjusting interest rates, and so on, and supplement guidance and economic means with necessary administrative intervention, so that the guidance views can be implemented. Proceeding from the actual conditions of Jiangsu, during the Sixth 5-Year Plan period, we must pay attention to the following points in guiding the orientation of use of unbudgeted capital funds.

First, we must satisfactorily handle the relationship between consumption and construction. Both construction and consumption must be based on the actual available resources. While increasing consumption funds, we must not neglect the guarantee provision of a certain amount of accumulation funds. Without accumulation, development will not be possible. In the Sixth 5-Year Plan period, the proportion of unbudgeted capital funds used for accumulation (including funds for investment in fixed assets and circulating funds) should roughly remain at the 1979 and 1980 levels, that is, constitute approximately 60 percent of the total spending. On the basis of achievement of development in production, the enterprises' spending on welfare and rewards should correspondingly increase, but this increase must not be faster than the growth in output. We think that it is rather appropriate to keep the annual increase within 4 or 5 percent.

Second, we must satisfactorily handle the relationship between general construction projects and key construction projects. We must reduce the amount of unbudgeted capital funds used for building processing industries, and use a major proportion of the funds thus made available to build the energy resources industries and the key materials and raw materials industries. The pooling of capital funds must be carried out under leadership and control; various units must not act on their own, and increases in the amount of capital funds pooled at all levels must be avoided. There must be overall planning and due consideration must be given to all parties concerned. The pooling of funds must be done by banks, which must also be responsible for supervising the use of these funds.

Third, the relationship between extension and intension must be satisfactorily handled. In an orderly manner, the inherent composition of those expenditures which belong to accumulation must be readjusted, the proportion of capital construction investment must be reduced, spending on technological transformation must be increased, and the path of relying mainly on intension to develop production must be taken. The enterprises must be guided to use depreciation funds and production development funds basically for technological transformation and equipment renewal, and appropriately for continuing the building of complete sets of equipment. Attention should also be paid to formulating technological-economic policies governing various industries and trades, and to prescribe the scale of transformation for various industries and trades.

Fourth, the relationship between economic development and the development of social undertakings must be satisfactorily handled. The proportion of productive construction in capital construction projects must be appropriately readjusted, and the proportion of construction in the fields of science, education, culture, medical and health services, and public utilities must be increased. Investment in building residential housing may remain at the present level. In 1980, productive construction accounted for two-thirds of capital construction investment. By 1985, it must be reduced to about half of total investment. The funds thus made available must be used to support construction in the fields of science, education, culture, medical and health services, and municipal construction. In the spending of unbudgeted funds outside the scope of accumulation, spending must be increased on supporting agriculture, on scientific, educational, and medical undertakings, on the maintenance of municipal amenities, and so on. The spending in these fields as a proportion of total spending should increase from around 10 percent in 1980 to around 15 percent in 1985. The localities, departments and enterprises must increase investment in the development of technology and expertise, so as to bring about a gradual change in the present situation, marked by long cycles in scientific research and trial manufacturing of new products, inadequate technological reserves, low education standard among workers, and lack of qualified personnel.

(3) Requisite management systems must be established. In exercising macro-economic control over unbudgeted capital funds, we must study and formulate some specific management systems and adopt some specific management measures.

First, a planned management and financial accounting system must be established. Various cities, counties, departments and other units must compile annual plans for the receipt and spending of unbudgeted capital funds, which are then incorporated into a comprehensive financial plan. Various departments and units must compile quarterly plans for the receipt and spending of unbudgeted capital funds, and after the end of each quarter [word indistinct] year, the actual receipt and spending of these funds must be compiled into reports, which are handed, with the units' financial reports, to higher authorities level by level so that these reports may be put together and analyzed. The method of management by different levels can be adopted. In the light of differences in various enterprises' conditions and in the nature of the funds possessed by them, different forms of management can be adopted,

such as examination for approval by responsible departments or financial departments concerned, management by these departments on behalf of the enterprises, centralized management, and so on.

Second, financial-economic policies and relevant financial systems must be implemented. The sources of various items of unbudgeted capital funds must comply with state regulations. Funds from illegal or improper sources must be earnestly put into order and rectified. There must be regular inspections and strict supervision to ensure to correct formulation and rational use of various items of unbudgeted capital funds. Various departments and units should strengthen accounting, improve financial management, use special funds only for special purposes, keep special funds on special accounts, transfer funds to accounts before using them, receive funds before spending them, spend only what is available, and achieve a balance between receipt and spending with a small surplus.

Third, there must be a stricter system for examining and approving investment in fixed assets. When various localities, departments and units use unbudgeted capital funds to carry out capital construction, they must strictly abide by the relevant state regulations, and conscientiously ensure the rational use of the funds. Relevant problems must be conscientiously examined. Redundant construction carried out against state regulations and projects involving serious waste or losses must be immediately stopped, and the responsibility for them must be investigated and affixed. In the future, whatever the source of funds, all capital construction projects must be written down in plans concerning investment in fixed assets, and must be officially examined and approved according to set procedures governing capital construction. That part of the unbudgeted capital funds for equipment renewal and technological transformation must also be used strictly according to controlling targets prescribed by the state. The banks will not settle capital funds accounts in the case of unapproved capital construction projects or other unapproved measures.

Fourth, economic legislation must be vigorously grasped and management bodies must be established. The theoretical economic studies circles must pay attention to the study of unbudgeted capital funds. The departments concerned should draw up a set of "regulations for the management of unbudgeted capital funds," so that the localities, departments, and units concerned can follow the regulations when grasping this work. The financial departments at various levels must establish corresponding bodies for managing unbudgeted capital funds, assign specialized personnel to be responsible for this work, achieve coordination with other relevant departments, and conscientiously do a good job of managing unbudgeted capital funds.

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## DOMESTIC TRADE

### HIGHER PROFITABILITY, BETTER ECONOMIC RESULTS OF ENTERPRISES STRESSED

Beijing SHANGYE KUAJI [BUSINESS ACCOUNTING] in Chinese No 5, 10 May 83 pp 1-2

[Article by Cheng Guangun [4453 0353 5028]: "Master Distinctive Features and Evaluate Economic Results of Commercial Enterprises"]

[Text] The question of how to evaluate the economic results of commercial enterprises has generated widespread attention among the people. It has been a question probed and discussed continually in articles of relevant publications. On the ways and means of conducting an all-round and accurate evaluation of the economic results of commercial enterprises, I am of the opinion that consideration must proceed from the distinctive features of commercial enterprises. It is only by studying the distinctive features of commercial enterprises that one can dig out appropriate measures for evaluating the economic results and for making an accurate appraisal of commercial enterprises.

Commercial enterprises, as compared with production branches, possess the following distinctive features:

First, commercial enterprises are an intermediate link between production and consumption. Consummation of the task of procurement and marketing of commodities, acceleration of the tempo of commodity circulation, is a foundation upon which commercial enterprises enhance production development and meet people's needs.

Second, in the area of utilization of commercial capital, working capital represents the largest portion, embracing 80-plus percent on the average. The magnitude of the utilization results of working capital is a key factor determining the economic results of commercial enterprises.

Third, the utilization and attrition by commercial enterprises of active labor, whether labor efficiency is high or low, is also an important factor determining the magnitude of the economic results of commercial enterprises.



Fourth, the amount of profits achieved by commercial enterprises is subject relatively more to the influence of objective factors, but not entirely to the extent of their subjective efforts. The prices of quite a number of commodities run diametrically opposed to their values. The disparity in commodity prices is not an accurate reflection of the economic results of commercial enterprises.

In the light of the above-mentioned distinctive features of commercial enterprises, we must take into account the following aspects while evaluating the economic results of commercial enterprises:

1. On the basis of the first distinctive feature of commercial enterprises, while an evaluation is being made of the economic results of commercial enterprises, it is essential to make a comparison between the commodity circulation volume and the average commodity storage volume, thereby evaluating from the commodity circulation tempo what commercial enterprises have achieved in rendering services to production and consumption.

A realization of the task of the socialist commercial enterprises is attained by meeting the needs of consumption through marketing of commodities. Only by beefing up market forecast, by promoting ties of coordination between production and marketing, by enabling commodities under control to meet the needs of consumers in variety and quantity, by continually improving the quality of services, and by keeping in good shape channels of commodity circulation, can the commercial enterprises accomplish still better the process of commodity circulation, measure up to requirements, and bring into being the socialist objective of production. Meanwhile, an acceleration in commodity circulation leads inevitably to a reduction in utilization of labor and an expansion of sales. And the greater is the growth in sales, the smaller will be the attrition of labor, the more in revenues from sales, and the higher in gross profits, thus resulting in better economic results.

2. On the basis of the second distinctive feature of commercial enterprises, it is essential to evaluate the economic results of commercial enterprises by making a comparison between commodity circulation volume and working capital utilization volume.

The working capital of commercial enterprises is used mainly for commodity circulation. The commercial enterprises, in the course of organizing activities of commodity procurement and marketing, must generate not only a movement of commodities in kind, but a corresponding movement of capital as well. In the economic conditions of commodities, it is necessary to use a form of value, first by using currency to purchase commodities, then by selling commodities to consumers and acquiring currency through revenues from sales, and finally by starting again the next circulation of commodities. Between commodity circulation volume and working capital utilization volume there exists a relationship of definite proportions. The greater is the commodity circulation volume realized through an equivalent working capital of the commercial enterprises, the better will be the economic results. Conversely, there will be less economic results. Therefore, it is necessary to adopt a working capital turnover rate and a working capital utilization rate for evaluation of economic results.

By turnover rate of working capital is meant the number of days or a definite period of time (such as a year) required for each turnover of working capital. By utilization rate of working capital is meant the percentage of working capital in each 100-yuan sale.

3. On the basis of the third distinctive feature of commercial enterprises, it is essential to evaluate the economic results of commercial enterprises by proceeding from the dimensions of the relative values of labor attrition and labor efficiency.

The attrition of commercial enterprises (including attrition of active labor and materialized labor), as manifested in currencies, consists principally of commodity circulation expenditures. The magnitude of commodity circulation expenditures, whether expenditures are high or low, has important effects on the economic results of commercial enterprises. The expenditures of commercial enterprises are compensated through a differentiation in prices between buying and selling in accordance with the average level of expenditures in a society. Therefore, if the actual level of expenditures of an enterprise is higher than the average level of a society, the portion that goes above the average level gets no compensation, and the enterprise may have a reduction in profits or even incur some losses. If it's lower than the average level of a society, the portion that goes under the level is the overfulfilled income of an enterprise. And that leads to an increase in profits.

Only by making a comparison between commodity circulation expenditures and commodity sales volume, and only by using this comparison as a yardstick for measuring the rates of expenditures, can the degree of how labor attrition is economized be ascertained. In normal conditions, a growth in commodity sales volume brings about a corresponding increase in commodity circulation expenditures, but the increase in commodity circulation expenditures should be lower than the growth in commodity sales volume. As long as the principles and policies of the party are not violated, the quality of services is not downgraded, the interests of the masses and the staff and workers are not impaired, in the condition of enterprises accomplishing a similar commodity sales volume, then it becomes clear that the smaller is the outlay of commodity circulation expenditures, the lower will be the commodity circulation expenditures rate, and the higher the economic results.

Because commodity circulation expenditures are made up of two components -- relative constant expenditures and variable expenditures, it is not yet permissible to use only expenditures rate as an index for evaluation of commodity circulation expenditures, but it is permissible to make a combined evaluation of variable expenditures and relative constant expenditures. Otherwise, the level of expenditures will constantly be subject to the influence of increases or decreases in commodity sales volume, thus easily resulting in a negligence of extravagance and waste in relative constant expenditures. In order to make a further evaluation of the magnitude of austerity in commodity circulation expenditures of enterprises, it is necessary to use ascending-descending degree and ascending-descending speed as two indexes for evaluating changes in the expenditures level of the same enterprise within a different period of time and for evaluating disparities among different enterprises.

The labor efficiency of commercial enterprises is another important index for evaluation of labor attrition. The labor efficiency index is an index of comparison between active labor attrition and commodity sales volume. It is generally an indicator showing the relative values between the total number of staff-workers and the commodity sales volume, namely, the average commodity sales volume achieved by each individual. The higher is the average commodity sales volume achieved by each individual, the greater will be the fruits of labor attained in the condition of a corresponding utilization of labor force, or the use of less labor force in the condition of attaining a corresponding level of fruits of labor.

4. On the basis of the fourth distinctive feature of commercial enterprises, it is essential to use profits index for evaluation of the ultimate economic results of enterprises.

The state pumps investment of varying amounts into enterprises, some getting more while others receive less. Enterprises differ in size and scale, some are big while others are small. Commodities managed by enterprises differ in capability of profits, some earning more profits while others make less profits. Localities where enterprises are situated also are different from one another, some in prosperous localities while others are in out-of-the-way localities. In general conditions, the absolute volume of profits, big or small, is merely an indication of the scale and scope of operations of an enterprise and its contributions to the state, but it does not reflect accurately the level of enterprise operation and management. A state of comparison can be attained, only by means of a quantitatively relative index for contrasting volume of profits with volume of costs through adoption of a cost-profit rate, and for contrasting volume of profits with volume of capital utilization through adoption of a capital-profit rate.

The cost-profit rate is an index for evaluation of the economic results of the entire labor attrition of the enterprises. It reflects a relationship of contrasts between total costs and realized profits. The labor attrition and the cost-profit rate of the enterprises constitute an inverse ratio. The formula of calculation is as follows:

$$\text{Cost-Profit Rate} = \frac{\text{Total Volume of Profits}}{\text{Sales Cost} + \text{Operation Cost} + \text{Expenses} + \text{Various Outlays and Losses}} \times 100\%$$

The above formula indicates: Only by striving to achieve an expansion of sales, simultaneously with strengthening of management, lowering of costs, economizing of expenses, and minimizing of losses, can an enterprise raise its cost-profit rate.

The capital-profit rate is an index for evaluation of the economic results of the entire labor utilization of the enterprises. It reflects a relationship of contrasts between total capital utilization and realized profits. The formula of calculation is as follows:

$$\text{Capital-Profit Rate} = \frac{\text{Total Volume of Profits}}{\text{Average Utilization Volume of Entire Capital}} \times 100\%$$

Based on the key factors affecting the capital-profit rate, the above formula can be expanded as follows:

$$\begin{aligned} \text{Capital-Profit Rate} &= \frac{\text{Average Utilization Volume of Working Capital}}{\text{Average Utilization Volume of Entire Capital}} \\ &\times \frac{\text{Average Utilization Volume of Commodity Capital}}{\text{Average Utilization Volume of Working Capital}} \\ &\times \frac{\text{Commodity Sales Volume}}{\text{Average Utilization Volume of Commodity Capital}} \\ &\times \frac{\text{Total Volume of Profits}}{\text{Commodity Sales Volume}} \times 100\% \\ &= \text{Proportion of Working Capital} \times \text{Proportion of Commodity Capital Within Working Capital} \times \text{Turnover Rate of Commodity Capital} \times \text{Sales Profits.} \end{aligned}$$

In the above formula one sees that in order to realize a relatively high capital-profit rate, the enterprises are required to continually reduce costs, slash expenditures, minimize losses and attrition, raise cost-profit rate, create more profits, and at the same time the enterprises are also required to use capital economically, maintain a rational capital structure, accelerate capital turnover, and elevate capital-profit rate. An integration of the two requirements, with both playing a mutually assisting and supporting role, will render possible an all-round and comprehensive evaluation of the economic results of enterprises.

It remains necessary to point out here that an evaluation of the economic results requires an all-round comparison and appraisal of all aspects, not only a comparison between the expenditures and revenues of a unit within a definite period of time, so as to explain whether the economic results of that unit are great or small; not only a comparison between history and the status quo, so as to judge whether the economic results of this unit are going up or coming down; but also a comparison among enterprises of a same type, so as to form a judgment of whether the economic results of that unit are higher or lower than the average level of the society.

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CSO: 4006/622

## DOMESTIC TRADE

### MARKET DEVELOPMENT TRENDS REVIEWED

Changsha SHICHANG TIAOJIE in Chinese 7 Jun 83 p 2

[Article by Da Lianbai [1129 6647 4102]: "A Cursory Review of Market Development Trends"]

[Text] (1) Market Situation in Recent Years

The market situation throughout the nation has been improving year by year. From what was divulged at conferences in recent years on the supply of general merchandise and cultural commodities, it may be gathered that the supply and demand situation is as follows: In 1980, the buyers sought to acquire a quantity of supplies over and above the program; in 1981, the buyers forfeited certain supplies listed in the program in favor of brand-name products, new varieties of products and quality products, while the commercial enterprises tended to compete by adjusting the prices of certain commodities; in 1982, the program was jettisoned and all-out competition was centered around quality and prices. The fierce and far-ranging competition was marked by the following features: the novelty of the style of the goods, the great variety of designs and colors, the plentiful supply of goods and the continuous upgrading of their quality; the goods were elegantly packaged, and the sellers made a scramble to sell while the buyers bided their time in selecting the best. It is expected that this competition will intensify in 1983 along the following lines:

1. Offensive to deepen and widen the range of production. There is a likelihood that certain factories, having lost their competitiveness, will suspend production in favor of other operations such as the manufacturing of new products, deepen and widen the range of products, or switch to light industrial products.
2. In order to survive, the factories will make full use of their advantages and promote their development through competition. To meet the demands of the developing situation, certain factories have, on the one hand, directed their efforts toward improving the quality of their products, reducing the cost of production, turning out new products to replace the old and seeking to capture the market by turning out "new and attractive" products at prices which are commensurate with their quality and, on the other, reducing the volume of their production, holding on to their position and waiting for the opportune moment to stage a comeback.

3. Putting a limitation on imports and adjusting the volume of production. Measures are being taken by the state to limit the import of raw materials for the production of commodities in volume.
4. Renewal of stockpile. Measures are likely to be taken to dump slow-selling commodities of the industries and businesses in order to reduce the stockpile.
5. Certain uncompetitive products turned out by the factories may be sold below cost. This is not, however, the normal way to compete.

## (2) Sizing Up the Situation

The situation in the market has never been better since the establishment of the republic. That may be attributed to the implementation of the eight-character adjustment policy, the adoption of the open-door policy in the economic sphere and the rigorous adherence to the guiding principles since the Third Plenary Session of the 11th Party Central Committee.

## (3) Direction of Future Operations

In view of the changes presently taking place in the market, the following suggestions are made for the production of commercial commodities and their operations:

- (1) The industrial and commercial departments should, as a matter of routine, investigate the changes in the supply and demand situation in the market. They should strictly adhere to the guiding principle of "limiting the amount of production to what can be sold," make an effort to improve the quality of their products, reduce the cost of production, lower prices, set the prices for their products in line with their quality, produce the types and varieties of goods that are in demand, gain a firm foothold in the market, and increase the competitiveness of their products.
- (2) The industrial and commercial departments should achieve an integrated understanding of the circumstances, break new ground and open up new avenues for advancement. The state wholesale businesses should correct their workstyle, improve the quality of their service and increase their sales. To create a new look in wholesale operations, they should, instead of "sitting down and waiting for customers to call," change their attitude by "bringing services to the door of the customers." They should be ready to go beyond their provinces and cities, drop in on the stores in the rural areas and take the initiative in offering their services to the customers. When replenishing their stocks, they should observe the "frequent, limited and complete" principle and increase their economic effectiveness. They should be flexible in going about their operations and be prepared to make changes to meet changing situations.
- (3) To increase the sale of local industrial products, the industrial and commercial departments should change their operational methods. Because of the stability prevailing in the market at the present time, some of the commercial commodities are approaching the saturation point and there is a "glut" of certain types of merchandise. To reduce the stockpile, some commercial wholesale

departments, by repeatedly cutting down prices, are operating at a loss, while the industries, unable to sell their own products and reluctant to yield profits to the commercial enterprises, have, by creating a sharp conflict with the commercial enterprises, put a crimp on the sale of local industrial products and placed themselves in a hopeless situation. To break this impasse, the industrial and commercial enterprises should adopt the following concerted measures:

(1) A reasonable adjustment in the distribution of profits between the industrial and commercial enterprises.

(2) For major commercial products such as sewing machines, wrist watches and desk clocks, the industrial and commercial enterprises should adopt the method of assuming joint responsibility for sales operations.

(3) As for small commodities, the commercial wholesale enterprises should make purchases in amounts commensurate with the sales volume, or serve as agents for their sale on the wholesale or retail level in order to promote the sale of such commodities.

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## DOMESTIC TRADE

### SOME PROBLEMS CONCERNING COMMERCIAL SYSTEM REFORMS NOTED

Guangzhou YANGCHENG WANBAO in Chinese 20 Apr 83 p 2

[Article by Zhou Zhiping [0719 3112 1627]: "Questions to Which Attention Should be Paid in Reform of the Commercial System"]

[Text] Currently, state-run commerce is testing out and gradually spreading various contracting responsibility systems within a broad scope. In a short period of time, the term "contract" has changed the face of enterprises, turning loss into gain, realizing increased income for the state, increased retention for the enterprise and greater gain for the individual. The key to this lies in carrying out managerial contracting responsibility systems which can directly link together enterprise management and quality of service with the interests of the enterprise and the interests of the individual employees, both resolving employees eating from the enterprise's "big pot" and the enterprise eating from the state's "big pot." Thus after accepting contracts, enterprises (stores), shop groups, fleets, and even individuals have had their initiative mobilized, service takes a turn for the better, quality of service improves, products expand their markets, markets become more active and economic benefits are very clear.

However, in the process of implementing comprehensively the management contracting responsibility system, among commercial departments there have been some problems which must be clearly researched in terms of theory and properly handled in terms of practice before such reform of the commercial system can achieve the anticipated results. Here, we raise several views on questions which were touched on in a preliminary way in our investigations:

#### 1. The Relationship of The State, Collective, Individual, and Consumer should be Handled Correctly

In addition to the "state getting the greater share, the enterprise getting the medium share, and the individual employee getting the smaller share, in principle, the economic benefits of reform of the commercial system, should also consider the interests of the consumer. For the contract to have vitality, it should guarantee that the state revenues increase faster than those of the enterprise and the individual. At the same time, guaranteeing that while state income increases and the individual makes more, the consumer does not suffer, attention should be paid to guaranteeing that the enterprise has the ability



to constantly expand management and improve the welfare benefits of the unit's employees but not go so far as to create the conditions in which "upper and lower echelons have guarantees, but the center comes up empty." This is also in the long-range interest of the state, collective and individual. For this reason, when determining norms of contracting business, profit to be delivered to the state and level of wage fluctuation, indices over the years should be consulted to determine sales potential and set a rational contracting amount.

## 2. Relationship Between the Enterprise (Store) and Enterprise Should be Handled Well

The managerial scope of the commercial system is broad and varied. Because of differences in prices of commodities and profit rates, the level of profits and the earnings of companies, stores, shops and even individuals with the expenditure of the same labor is different. For example, comparing a specialized company and its employees that deal in high-class goods or have a high rate of profit with a company and individuals that deal in low-grade goods or at a low rate of profit, while putting forth the same quantity of labor (allowing for conversion for the degree of complexity of labor), business and profit are both comparatively high, but this part is not differential income (profits beyond the norm) which is earned due to the quality of employee labor or enterprise management and is an incomparable factor, and should be rejected. Just as industrial departments want to reject differential income due to factors such as resources, equipment and pricing, and in agriculture, differential income due to such natural conditions as degree of soil fertility and location. How to distribute this part of the differential income between state, enterprise and individual is a theoretical problem and it is also a practical problem. We feel that it should go to the state, and thus avoid the gap in level of wage fluctuation and share of profits retained by enterprises which results from dealing with different products, and this also takes into account the relationship of neighbors between enterprises and links together what the enterprise and individual get entirely with results of management and administration, the amount of labor expended, and the size of the contribution to the state. And it is also for this reason that some enterprises which suffer losses of a policy nature still must be given suitable subsidies. Only in this way can the managerial initiative of all kinds of enterprises be mobilized, otherwise, the greatness of the differentials in wage-fluctuation levels and enterprise profit retention which would appear after contracts might lead to fluctuation in cadre and employee sentiment and dissatisfaction with their enterprise (enterprises with low earnings or nonmanagerial losses) work and want to transfer to work for enterprises which have higher earnings and put out less work.

## 3. Handle the Relationship of Contracting and Management and Administration

The implementation of the managerial contract responsibility system for an enterprise is generally for a specified period of time, such as a 1-year contract mission. We should guard against solely wanting to fulfill and overfulfill the contract mission without regard for the administration and management of the store, such as misusing equipment supplied by the state without maintaining it;

making money by improperly laying in large stocks of merchandise in 1 year without considering inventories of unsalable goods in the next year; recklessly expanding the buying and selling mission, irresponsibly breaking down enterprise management or expanding without authorization the scope of administration of negotiated prices, raising prices, etc. For this reason, comprehensive checking and appraisal of fixed assets and liquid assets of contracting units should be done and comprehensive accounting of expenditures paid out and the level of controlled prices. Upper echelon departments in charge should stipulate in detail certain rules and regulations and provide contracting firms expanded autonomy within the scope permitted by policy.

The commercial management contracting responsibility system is a new thing and in the process of implementing the contracting responsibility system it is also necessary to consider the role of reform of the commercial system within the macroeconomy. Reform of the commercial system is not reform for the sake of reform nor is it merely to earn money, but it is to better give full play to the coordinating and promotional role of commerce in production and consumption and in the entire social reproduction process. Just as is the case with any new thing, in the process of implementation, one or another problem may appear unavoidably and the contracting responsibility system itself also has a process of gradually improving, consolidating and upgrading. If only, when we discover a problem, on the foundation of investigation and research, we research and formulate correct methods carefully and in-depth then we can spur on the solid forward development of this new thing.

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## DOMESTIC TRADE

### FLEXIBLE PRICING POLICY ADOPTED BY GUANGDONG REVIEWED

Guangzhou YANGCHENG WANBAO in Chinese 22 Jun 83 p 2

[Article by He Jie [0149 2638]: "A Review of the Special Pricing Policy and Flexible Measures Adopted by Guangdong"]

[Text] The question of how Guangdong should go about adopting a special policy and flexible measures for pricing that are in line with the general pricing policy of the state is one of great importance which needs to be studied. I would like to offer some opinions and suggestions on the subject.

#### 1. Areas in Which Guangdong Has Adopted a Special Policy and Flexible Measures in the Work of Pricing

Generally Speaking, Guangdong has done so in the following areas:

(1) Class 1 and class 2 subsidiary agricultural products are priced slightly higher than in the neighboring provinces. Our province has raised the procurement price or paid a subsidy over the procurement price for certain major subsidiary agricultural products (such as grain, pigs, silkworm cocoons, jute, etc.) so as to bring their prices more in line with their values.

(2) Regarding the ratio of negotiated prices of agricultural products, a wider range of commercial commodities are being sold at negotiated prices which are higher than the rest of the nation. Since 1980, our province has passed on to the localities the authority to control the procurement prices of 53 types of class 3 subsidiary agricultural products and has reclassified such class 2 products as beef, mutton, domestic fowls, egg products and fruits as class 3 products which may be sold at negotiated prices. After the procurement quota has been met, such class 1 and class 2 subsidiary agricultural products as grain, pigs and marine products are permitted to be sold at negotiated prices. The ratio of the total amount of agricultural products purchased at negotiated prices has increased from 16.7 percent in 1979 to 44.2 percent in 1982, while the ratio of retail commercial commodities sold at negotiated prices has increased from 5.2 percent to 23.2 percent during the same period. The adjustments made in the purchasing and selling prices of these commercial commodities have had a beneficial effect in promoting production, invigorating the market and satisfying the needs of the people. The adoption of the measure of negotiated prices when the demand exceeds the supply may result in considerable

price increases, but prices are likely to fall with the development of production. The market prices of certain commodities have shown a slight decline. The principle of setting negotiated prices for commercial commodities is based on market conditions, so that some prices have gone up while others have gone down. Basically, class 3 subsidiary agricultural products are now being bought and sold at negotiated prices set by the operating units.

(3) Certain means of production are now permitted to be sold at cost and outside of the plan. Since the adoption of this practice, certain enterprises have done well in solving the problem of the shortage of raw materials, in helping to promote production and in making supplies available to the market by the acquisition of certain raw materials not included in the plan. However, this practice is liable to deal a blow to the planned purchasing and selling of commercial commodities, to increase the cost of products and to trigger a chain reaction. If we could place greater emphasis on increasing economic efficiency and reducing the cost of production, it would be possible to avoid increasing the purchasing and selling prices of certain commodities. The prices of certain commodities may be adjusted upward or downward. Circumstances permitting, it is permissible to adjust the prices of class 3 commodities.

(4) As regards prices applying to foreigners, different preferential rates based on the domestic retail list price, the market price in Hong Kong and Macao and the supply and demand situation of the various commodities have been set in order to make the supply of commodities available to foreign tourists, to earn a larger amount of foreign exchange and to make things easier for our compatriots from Hong Kong and Macao. The preferential rate for most commodities is 20 percent lower than the retail list price. Some commodities in short supply (such as instant foods) may be sold at a higher rate than the retail list price, some may be sold at the retail list price instead of the preferential rate (such as bicycles and sewing machines) and some may be sold at 20 percent over the retail list price (such as watches and color television sets). More preferential rates may also be offered by Shenzhen and Zhuhai.

Service charges for foreign guests, overseas Chinese and compatriots from Hong Kong and Macao should be set on the principle that they should be lower than those in Hong Kong and Macao and higher than those applying domestically, so as to reduce the subsidies paid by the state, to motivate the positive attitude of the concerned departments, to upgrade facilities and to improve the standard of quality.

(5) In order to facilitate the import of materials and to meet production and market needs, major products within the plan such as chemical fertilizers, pesticides, heavy oil and grain are being supplied at the list price set by the state, which makes good for the losses incurred by the enterprises by the payment of subsidies. Raw materials of a general nature are allowed to be sold to the production units at a slight profit on the understanding that the enterprises are not to raise the selling price of their products. Commodities in short supply in the market, the list price of which is considerably lower than the market price, may be sold at a price lower than the market price and higher than the list price. As for imported light industrial products of a general nature, they are, as a matter of principle, to be sold at prices similar to those of domestic products of similar quality. Specific products may be sold

at a price higher than the list price and lower than the market price within certain limits so that the local industries may be protected but not condoned for their backwardness.

## 2. Ideas Behind the Reform of the Pricing System in Guangdong

The pricing system set up by our province, while constituting an integral part of the pricing system of the entire nation, should reflect the special local features for which the special policy and flexible measure were formulated. With this in mind, it is my opinion that reforms should be undertaken in the following areas:

(1) In order to promote vigorously the development of industrial and agricultural production, the prices of the various types of products must be commensurate with their values and the parity of their prices must be equitable. For this reason, while our major concern is the maintenance of the basic stability of commodity prices, reasonable adjustments must be made. Since a totally reasonable adjustment of controlled prices cannot be made at the present time, it is necessary to widen to a proper extent the range of products which may be sold at negotiated prices, to widen the range of negotiated prices and to adjust in a reasonable manner the ratio between what is purchased and what is retained, so that higher profits may accrue to the producers. Except for the daily necessities affecting the livelihood of the people, the selling prices must, insofar as possible, be reasonably adjusted according to the supply and demand situation in the market, and the payment of subsidies must gradually be discontinued.

(2) In view of the coexistence of the various economic components, the emergence of multiple circulation channels in operations and the various purchasing and selling patterns, the control of commodity prices requires the adoption of various price forms based primarily on controlled pricing and secondarily on laissez-faire pricing and the selling of the same commodities in the same market at different prices. A larger measure of control must be granted the production units. The prices of class 3 industrial and subsidiary agricultural products should basically be placed under the control of the enterprises, and perishable commodities should be allowed to be priced according to the supply and demand situation in the market. After the quota has been met, the prices of subsidiary agricultural products in the class 1 and class 2 categories should be allowed to be negotiated, while certain class 1 and class 2 industrial products in daily use should be allowed to be sold at floating prices. Permission should be given to the enterprises to deal in raw materials, fuel and the means of production and to set the prices for commodities outside the plan. There should be greater flexibility in setting prices in the food service businesses. Commodities supplied in fixed quantities at list prices should be sold at controlled prices, while those supplied over the quota should be permitted to be sold at higher than list prices.

(3) After the gradual adoption of the contract responsibility system, the enterprises should be given a certain amount of power in setting prices. Aside from certain major commodities supplied by the state enterprises which affect the livelihood of the people, the enterprises should be permitted to increase or reduce the prices of other commodities in a flexible manner. However, the enterprises must not be allowed to increase prices at will or under false pretenses in order to make higher profits.

(4) To offer an incentive to the production of new and high-quality products and to meet the needs of the people for high-quality consumer goods, prices must be raised for poor-quality goods, goods that have a bad reputation and goods that are outmoded. All high-quality industrial and subsidiary agricultural products and services should be permitted higher profits. Conversely, low prices or retributive prices should be set for low-quality products that are above the consumption quota. Seasonal prices should also be permitted for industrial and agricultural products.

(5) To speed up the circulation of goods between the provinces, the regions and the cities and rural areas, regional barriers must be broken down. Freedom to set prices and to engage in free trade should be permitted as a matter of policy. Except for certain major commodities, uniform prices and fixed prices should not be set for adjoining areas, so that more supplies may be made available to the high consumption areas, that a higher income may accrue to the peasants in the impoverished areas and that an impetus may be provided for the development of production.

(6) With the reform of the rural areas under the guidance of the cities and the setting up of joint supply and sales organizations by the state, prices for various commodities should be set with a view to facilitating the opening up of multiple channels of operation, the reduction of links and the direct supply of goods whenever possible.

(7) Depending on the circumstances, the prices of imported commodities should be freed from control, or subjected to control or semi-control. Contracts setting up prices for a definite period must be signed by the foreign trade departments for the procurement of domestic agricultural products and with the production bases for the processing of industrial commodities. New prices may be set according to changes in the international market upon the termination of the contracts.

(8) A policy must be adopted for setting different rates for goods and services for foreigners. Prices for certain goods and services should be set in line with the prevailing rate in foreign countries and Hong Kong and Macao and not with the list prices which apply domestically. Some of the raw materials and fuel purchased with foreign currency may be purchased at a high price. The export products of joint enterprises may be sold at prices prevailing in the international market, while the prices of products sold domestically may be set at a rate similar to that of similar products of similar quality produced domestically. Imported products may be sold at a rate slightly higher or lower than the domestic list price.

(9) With the separation of the enterprises from politics, the establishment of joint production, supply and sales enterprises, the emergence of joint enterprises and the development of joint enterprises which cut across regional boundaries, the work of pricing has come to rest mainly with the enterprises. The work of the price-setting departments is mainly confined to setting prices for major products which affect the welfare of the state and the livelihood of the people, engaging in investigation and research, compiling price statistics and indices, keeping on top of market information, formulating price control

measures and pricing principles, devising programs for the adjustment of commodity prices, implementing the principles and policies regarding commodity prices, adopting effective measures and keeping the basic stability of commodity prices under control.

(10) To promote the development of the entire economy and to meet the demands posed by the reform of the system, the reform of the pricing structure must be brought about at a more rapid pace. So that the livelihood of the people may not be adversely affected, it is suggested that while the reform of the wage system is in progress, Guangdong should adopt the practice of establishing a link between commodity prices and wages and that, providing basic wages remain unchanged, it should pay fixed subsidies based on the price indices of consumer goods.

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## FOREIGN TRADE

### SELF-RELIANCE, OPENING TO OUTSIDE WORLD URGED

Guangzhou YANGCHENG WANBAO in Chinese 1 Jun 83 p 2

[Article by Qian Junrui [6929 0193 3841]: "Handle Correctly the Relationship Between Opening to the Outside World and Independence"]

[Text] Ever since the Third Plenary Session of the 11th Party Central Committee, our country, based on the determination to be independent and self-reliant, and at the same time when it is domestically reinvigorating the economy, has carried out the policy of opening to the outside world, achieving definite results and receiving praises from both within and outside the country. However, there is still not enough understanding of how to correctly understand and handle the relationship between opening to the outside world and independence. Here, I shall discuss my personal views.

#### There Are Two Meanings To The Opening to the Outside World

Our country's policy of opening to the outside world is based on independence and self-reliance. The relationship between opening to the outside world and independence is unified, not contradictory. There are two meanings to the opening to the outside world.

The first is to contribute to the world economy and politics. Our implementation of opening to the outside world links our country to international markets, international division of labor, and the whole world economy. This way, we can make the necessary contributions to the world economy and politics.

First of all, in carrying on trading relations with socialist countries and implementing economic cooperation, we can mutually support and help each other and strengthen the power of socialism. Next, in trading with the developing countries, we can supply each other's needs and mutually cooperate and help each other in finances and technology, thus enabling the developing countries to develop their individual national economy and strengthen their political independence. Further, in carrying on trade and developing economic relations with the capitalist countries on the basis of equality and mutual benefit, we provide them with inexpensive but high quality goods and they export to us some of their goods. Thus, at a time of difficulty in the capitalist world, we can lessen the difficulties of the peoples of



the capitalist world and work together to revive the world economy. In particular, this will strengthen their inclination toward the socialist countries and deepen their understanding of the superiority of the socialist system. It is because the policy of opening to the outside world has positive effects on three different types of countries that we, in the process of opening to the outside world, insist on the execution of the policy of using two kinds of resources, developing two kinds of markets, and learning two different skills.

The second is to strengthen the position and power of our country's independence and self-reliance. Opening to the outside world is a means, a method, while the strengthening of our country's self-reliance is the objective. Because after we open to the outside world we can develop foreign trade and, through foreign funds, introduce foreign advanced technology that is appropriate for us and learn the method of scientific management, which will enable us to enhance our ability to be independent and strengthen our power. As the power of independence and self-reliance increases, we can contribute more to the peoples of the world. These two complement each other. Opening to the outside world is our country's long-term strategic policy which we are determined not to change.

Opening to the outside world has a significant effect on the strengthening of our country's ability to be self-reliant; at the same time, it is also the result of the increase in the power of self-reliance. In general, the growth rate of import and export trade is higher than the growth rate of the national economy. The development of world trade over the years and the situation of our country's foreign trade in recent years prove this point. From now on, our country will emphasize the development of export trade to increase foreign exchange revenues so as to increase imports to promote our country's four modernizations.

The utilization of foreign funds requires enthusiasm but also caution. On this aspect, there are experiences and lessons both within and outside our country. In the Soviet Union, at the time of Lenin and Stalin's leadership, they utilized foreign funds to develop industry, attaining tremendous results. Many big projects in the twenties and thirties were constructed using foreign funds. But there are some developing countries, such as Brazil, Mexico, Argentina, and also Poland, which overdo it in the utilization of foreign funds, thereby adding to their domestic difficulties. We can draw lessons from all of these. In short, in dealing with capitalism, we must be exploited a little and suffer a little' to use Lenin's words, we have to pay some tuition fees. But we should maintain the principle of equality and mutual benefit, to be active and careful, to be neither servile nor overbearing, to insist on principles, to be flexible in adopting measures, to be careful not to be pulled by the nose by others, and not to be deceived.

The introduction of foreign advanced technology should integrate with our country's realities. Judging from our country's present situation, we should absorb some of the most advanced sophisticated technology; but what we should absorb most is intermediate technology appropriate to our country which should

mainly be beneficial to our country's technological transformation in order to increase economic results.

#### To Prevent Two Tendencies

One is the erroneous thought of the "left." At present, there are still some people who maintain that the carrying on of economic relations with foreign countries will lead to the unchecked spread of capitalism, and who, because of this advocate the closing of the country. In fact, this is the ideology of feudal guilds, and the thought of self-sufficiency of small producers, and not the economic thought of socialist mass production. We are now carrying out the construction of socialist modernization, and we must have far-sightedness, courage and resourcefulness; we cannot be afraid and must continue to break through all kinds of erroneous ideology and smash the closing of the country. It is only through this that we can fully utilize the beneficial international conditions to reinvigorate our country's economy.

Another tendency is to worship and be obsequious to things foreign. After our implementation of opening to the outside world, there are some people now who feel that everything foreign is good and everything should be begged from foreign countries. This is a very mistaken and dangerous thought. As a matter of fact, after over 30 years of construction, even though we may have shortcomings and such problems as a shortage of accumulated capital, backward technology and low efficiency in administration and management, yet our foundation is already very solid and we have a complete industrial system, a definite technological base, and we can manufacture a lot of things. We cannot feel inferior and cannot think that we are worthless. We must overcome the thought of worshipping and being obsequious to things foreign. Moreover, our foreign exchange is limited and it should be used on things that can be put to best use. Generally, there is no need to import anything that we can manufacture or things that are available within the country. Otherwise, the foreign exchange would not only be wasted, but our country's national industries would be threshed, and our country's healthy growth would be impeded.

#### Pay Attention to the Nurturing of the Spirit of Internationalism

In the process of implementing the opening to the outside world and in our friendly intercourse with the peoples of various countries, we should, besides doing business with the top strata, also try to understand in-depth the true nature of capitalism, the living conditions of the working people of capitalist countries, and the condition and methods of struggle so as to nurture and strengthen our own spirit of proletariat internationalism. In the past, we had frequently laid particular emphasis on doing business and did not pay enough attention to this aspect. We should have seen that capitalist countries have rich material wealth, but there is a wide gap between the rich and poor and a lot of inequality. The severe oppression, poverty, ignorance, backwardness and corruption which the lower strata working people suffer from are products of the capitalist society. In order to survive and seek liberation, the working people of the capitalist world

carry out an unyielding struggle against the exploiting class. In our economic and political intercourse with the capitalist countries, we should try to understand as much as possible their working people's social and economic status. This will on the one hand strengthen our friendly relations with these countries; working people, and on the other hand, we can, through some specific cases, educate our people, especially the younger generation, so that they will understand what is exploitation and oppression. We live happy lives and our younger generation grew up in a pleasant environment and had not experienced the oppression and exploitation of the landlord and capitalist classes. We have to use the harsh living reality to educate them not to forget that in this world, there are still tens of millions of working people living a life of oppression and exploitation, so as to strengthen their faith and love for the socialist system and to nurture their spirit of internationalism.

#### We Have To Learn To Do Business

To correctly understand and handle the relationship between opening to the outside world and independence also requires, as Lenin has said, that we have to learn to do business. At present, we do not have a lot of people who really know how to do business, and frequently we do not understand or are not familiar with world economic conditions. Our information is not accurate, and very often we are deceived, causing our country to suffer losses.

In order to learn to do business, we must first of all understand and become familiar with world prices, understand future trends of world economic development, and pay attention to the strategies of economic development of various types of countries in this world. On the basis of actively preparing a forecast of world politics and economy from the next few years to the end of this century as well as understanding the conditions of the development, and mutual relations with, the capitalist, developing and socialist countries, we formulate our strategy for the development of opening to the outside world. We should get to know them as well as ourselves. We should know how things stand and proceed from reality, not engaging in subjectivism. We should be active and bold but also realistic and careful. It is only through this that we can achieve the expected objective in opening to the outside world. On the basis of continuously summing up experiences, we shall energetically manage well the two special economic zones in Guangdong and Fujian which will undoubtedly provide us with a lot of valuable experiences. At the same time, the implementation of special policies and flexible measures in the economy of the two provinces of Guangdong and Fujian, as well as the future development of Hainan Dao will certainly make significant contributions to the creation of a new situation in opening to the outside world.

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## FOREIGN TRADE

### INDUSTRY, FOREIGN TRADE DEPARTMENTS IN SHANGHAI INTEGRATED

Shanghai JIEFANG RIBAO in Chinese 6 Jun 83 p 1

[Article] "The Implementation of the Experiment To Reform the System of Foreign Trade in Shanghai Proves That the Integration of Industry and Foreign Trade Departments Is a Direction in Dealing With the Outside World"]

[Text] After successive years of reform, our city's system of management of foreign trade has step by step experimented with many methods to integrate industry with foreign trade. Up to now, there are nearly 10 joint industry-foreign trade enterprises whose establishment had been approved by the state departments concerned, thus expanding the channels of foreign trade.

At present, enterprises integrating industry and foreign trade in Shanghai include the branch company of the First Bureau of Machine-Electric's Machinery Import and Export Corporation, the Arts and Crafts Bureau's Toy Import and Export Corporation, the Textiles Bureau's Handkerchiefs Import and Export Corporation, and the Shipbuilding Corporation; those joint industry-foreign trade enterprises include the Jin Shan [6855 1472] Joint Trade Corporation, jointly operated by the Shanghai Petrochemical Main Plant, Municipal Foreign Trade Main Corporation, China Technical Import Corporation, and China Chemicals Import and Export Corporation; those plants managing their exports directly include Shanghai Machine Tool Plant and Yue Jin [6460 6651] Electric Machinery Plant; those acting as foreign trade agents include the branch company of the Metals and Minerals Import and Export Corporation, which is the agent for the exports of the Municipal Metallurgy Bureau.

For a long time, with regard to the relation between industry and foreign trade, our country's system of management of foreign trade used the method of centralizing all import and export trade in the foreign trade departments which united to conclude foreign transactions. The relationship between the production and foreign trade departments was one between the buying and selling of goods; the production departments had no direct outside contact and did not shoulder the risks of international markets. Following the gradual expansion in the scale of foreign trade, especially with the capitalistic world, this overcentralized method of management became increasingly unsuited to the requirements of international market competition. It was not beneficial to the integration of industry and trade and the linking

of production and sales, nor was it beneficial to bringing into play the industrial departments' initiatives in expanding the production of export products. Beginning from 1979, in accordance with the party's policy of opening to the outside world, Shanghai experimented step by step with the reform of the system of foreign trade. It expanded the channels of foreign trade, strengthened the integration of industry and foreign trade, and made preliminary changes in the method of centralizing the management of all import and export trade in the foreign trade departments. Judging from the actual situation of implementation, some production departments, after directly managing their exports, benefited from the strengthening of the integration of production and sales which enables their exports to meet the needs of international markets; they benefited from ascertaining in advance the sources of goods so that they could be sent out in time; they also benefited from a prompt understanding and grasping of the trends of the market so that new products were researched and designed to expand the exports. For example, after the Toy Import and Export Corporation implemented the integration of industry and foreign trade, the two sides of industry and trade now belong to a single enterprise with common interests. This makes it possible to better implement the linking of production and sales and unified planning with due consideration for all concerned. In the past, there was quite a bit of conflict between industry and foreign trade over the question of designs and prices of new products; now that it has become an internal problem of the company, it is easier to settle. Last year, they twice carried out consolidation of their key export product, children's carriages, eliminating 23 old models while developing 12 new ones, thus enhancing the marketability of the product.

Our city's reform of the system of management of foreign trade is still at an experimental stage, but the integration of industry and trade as a direction in reforming the system of management of foreign trade has been affirmed by practice, and will become an important measure in our city's creation of a new situation in foreign commerce and trade. Recently, the State Council's report approving our city's work on the development of foreign commerce and trade mentions that the methods to improve foreign trade, besides foreign trade enterprise managing exports, can, under the premise of insisting on the unity in dealing with the outside world and on the basis of different trades, products, and conditions, include such methods as joint industry-foreign trade management of exports, joint industry-foreign trade transactions, industrial enterprises managing exports themselves, or foreign trade enterprises acting as export agents, so as to achieve the integration of production and sales and flexibility in management.

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JINGJI GUANLI ON PROBLEMS IN WORKERS' EDUCATION

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[Article by Pu Tongxiu [3184 6639 0208] of the National Workers' Education Management Committee: "Strive to Bring About a New Situation of Workers's Education"]

[Text] The Basic Situation of Workers' Education in 1982

Workers' education developed vigorously across the country in 1982. The governments at various levels have further strengthened their leadership over workers' education, the scope of the education carried out by enterprises has been expanded, the number of workers taking part in study has increased, workers' initiative is high in their study, the achievements of the study have become more and more apparent, and new achievements have been made in various aspects. The main achievements of this education include:

First, the goal of the education is to raise economic efficiency and more attention has been paid to the efficiency of running schools and carrying out education.

The Fourth Plenary Session of the Fifth NPC put forth the 10 principles for economic construction and one of these principles is to improve the scientific and technical level of all laborers and to regard the improvement of economic efficiency as the basic starting point for all economic questions. Therefore, an increasing number of comrades have come to understand the strategic position and important significance of workers' education in promoting the development of the country and in realizing the modernization program. More leaders at various levels have strengthened their leadership over workers' education in their effort to raise economic efficiency and have grasped well ideological work and organizing, planning, and carrying out measures. Workers' educational departments at various levels have also gradually shifted their work from solely grasping education and the rate of enrollment to raising the quality of the education and economic efficiency of workers' education. They have more definite aims in running schools. Many enterprises have graphed the work of systematically improving the quality of the ranks of workers and at the same time they have also intensified their work of training specialized talents that are urgently needed by enterprises in carrying out technical reform, producing new products, and improving management. For example, in order to meet the needs in the implementation of the economic responsibility system, Shoudu Iron and Steel Company based itself on its own specific conditions and arranged the contents of workers' education according to its own current and future needs and development. In 1982, this [word indistinct] trained more than 43,000 cadres and workers of various profession and this figures made up 60.5 percent of total staff. This company has implemented the economic responsi-

bility system in an overall way and now this system has been developed more profoundly and is being constantly perfected. The economic efficiency of this company has been increased considerably for successive years and on this basis, the profits made by this company in 1982 were 20 percent higher than 1981, comparable total production cost dropped by 5 percent, and of the 55 comparable quotas, 32 were in leading positions among the same trades across the country. Over the past few years, Weihai City of Shandong Province has spared no effort to train workers and as a result it has been able to promote the development of technical innovation. It trial-produced a number of new products, of which 85 percent were the creation of the graduates of workers' schools. These products have recorded a good economic efficiency and consequently the city has become the first city in the province, with an average per capita output surpassing 10,000 yuan.

Second, by giving prominence to education, greater development has been made in training leading cadres and in helping young workers make up their cultural and technical education.

Last year, industrial, transportation, commercial, financial, and monetary departments trained about 1.29 million cadres in turn. Leading cadres of industrial and transportation enterprises above prefectural level, managers of commercial central shops, directors of supply and marketing cooperatives at grassroots levels, directors of grain management offices, and leading cadres of financial departments above prefectural bureaus (bank directors and section chiefs) have all been basically trained in turn. These cadres are now gradually receiving professional training. Specialized training courses have been given in a dozen provinces and municipalities such as Beijing, Shanghai, Jiangxi, and Jilin that cover such subjects as finance, supply and marketing, business management, technology, quality, and energy saving. Measures have also been taken by various regions and departments to step up the training of fine young and middle-aged cadres. The institutions of higher learning under the financial departments of the State Council are now running 77 classes in specialized subjects for cadres, with a total attendance of 4,177 persons. Statistics of 22 provinces, municipalities, and autonomous regions showed that in 1982, the number of young and middle-aged cadres that took part in 1-year training courses came to 14,915. Rapid development has also been made in such aspects as the knowledge of imported modern management and the modern management learned from other countries. A number of other provinces and municipalities such as Beijing, Tianjin, Shanghai, Jiangsu, and Guangdong have also made initial achievements in carrying out training in specialized subjects such as input-output method, value engineering, systematic engineering, and network technology.

The work of making up the technical and cultural knowledge of young workers and particularly the making up of cultural level has been developing rapidly across the country and greater progress has been made as compared with 1981. Last year, various regions and departments conscientiously implemented the "Joint Announcement on Doing a Good Job of the Work of Making Up Cultural and Technical Knowledge Among Young Workers Across the Country" that was worked out by five units including the national workers' education management committee and they carried out an enormous amount of work. There is now a new upsurge of studying culture and technology among the broad masses of young workers with

unprecedented scale, breadth, and strength of leadership in organizing and this situation has drawn the attention of society. Incomplete statistics for 12 provinces and municipalities including Beijing, Tianjin, Shanghai, Liaoning, Jilin, Heilongjiang, Shandong, Jiangxi, Hunan, Jiangsu, Gansu, and Shaanxi showed that the number of young workers that should make up their cultural levels was 16,687,000. By the end of last year, a total of 3.49 million were up to the required standard in making up their cultural levels and this figure represents 20.9 percent of the total figure.

Third, workers' education is regarded as an important content in reforming enterprises. General bureaus of such departments as metallurgy, machinery, oil, chemical industry, electronics, spaceflight, aviation, railway, nuclear industry, civil aviation, pharmacy, and nonferrous metals have treated workers' education as an important content of the reform of enterprises and included this work in reforming agendas. Staff of Liaoning Provincial workers' educational department have joined the investigations and checking of the achievements of enterprise reform and summed up the exchange of experiences in combining enterprise reform with staff training has not only promoted a smooth completion of the task of reforming enterprises and consolidated and expanded the achievements of the reform but has also vigorously promoted workers' educational work and, consequently, workers' education has been turned from an "unimportant task" to an "important goal." The number of workers of the key enterprises that are now undergoing the first reform in Liaoning Province who have taken part in study is 580,000 and this figure represents 44.6 percent of the total and is almost 50 percent of the school enrollment rate of the workers across the province. Of the 91 enterprises under the direct leadership of the province, 37 have set up training centers. Young workers have made relatively rapid progress in studying culture and technology and some have completed more than 50 percent of their courses.

A number of enterprises and departments have experimented in setting up training centers in their effort to attain experience for perfecting workers' education systems at grassroots levels. At present, there are about five types of training centers. The first type is workers' training centers such as that set up by Taiyuan Iron and Steel Company and Songling Machinery Company and such centers are responsible for training the staff of the whole enterprise; the second is enterprise training centers such as that set up by Tianjin tractor factory, responsible for training the entire staff and for managing primary and secondary schools that are run by the enterprise for workers' sons and daughters; the third is education schools that are run by management departments for the staff of their own systems such as the standard measuring advanced school run by Harbin City standard bureau; the fourth is training centers that are run by enterprises under the commission of management departments for training all the staff of the enterprises, such as the training center for the diesel locomotives maintenance personnel run by Dalian locomotive factory as entrusted by the Ministry of Railways; the fifth type is training centers jointly run by several enterprises such as the workers' school that is jointly managed by 14 silk textile mills in Hangzhou.

Fourth, opened up more ways for education and consequently new development has been made in running various forms of schools.



Enterprises are paying more attention to running schools according to their specific conditions. Last year, many units organized their staff to join spare-time education and according to the situation in production they set up training courses that are attended by big numbers of workers who are totally or partly released from their job; many units implemented the "six-two" system and the "seven-one" system; many schools have established contact with factories, a jointly run by enterprises or are concentratedly run by management departments, or use the new method by which the workers study by themselves individually, receive coaching collectively and regularly, and have unified examinations. The head office of ocean transportation company set up several training bases on land to train their crew members in turn because it is difficult for the members to study collectively. All subsidiaries of this company have used unified education planning so that no matter in which vessel the crew members are working, they will be able to continue with their study.

Government education departments run district workers' schools and have mobilized ordinary schools to support workers' education. For example, Tianjin Municipality is now running 20 district workers' schools. In addition, a total of 36 ordinary secondary schools are now running more than 100 secondary school level cultural study classes that are attended by workers who are released from their jobs. Broadcast TV colleges, secondary schools, discussions, and correspondence colleges have created more conditions for workers to study and all these forms have been welcomed. In 1982, there were 347,200 students studying in TV colleges, the first graduates were 78,000 and the graduates in a single subject were 147,000. Institutes of higher learning in some provinces and municipalities have set up examination systems and self-study students and this method has encouraged the broad masses of workers to attain knowledge through self-study.

Trade unions have continued with their good tradition of running schools. These organizations now manage 1,376 schools for staff and workers of various grades with a total attendance of 850,000. Mass organizations in various places such as scientific and technical associations and the association of enterprises equipment maintenance and quality management have made full use of their own advantages to hold discussions and to set up training courses in their effort to popularize knowledge and new technology and theories. Democratic parties, industry-commerce integrated organizations, and China professional education offices in various places have run 612 workers' schools and more than 50 spare-time schools with more than 100,000 attending.

Fifth, praise and disseminate advanced examples in workers' education.

Since the 3d Plenary Session of the 11th CPC Central Committee, a great number of advanced examples have emerged in the process of restoring and developing workers' education. In 1982, some regions and departments selected advanced examples. In Shandong Province alone, a total of 5,441 advanced examples of various grades and forms were selected and they included collectives, individuals, big enterprises and small- and medium-sized enterprises, enterprise leadership, school cadres, workers' teachers and fine students and comrades who have been working in the education sector for decades, and new comrades. They all have something in common: They are loyal to the party cause of workers' education, they are hard-working, and they have overcome difficulties, made outstanding achievements in running schools, teaching, and studying and have promoted production and work.

In order to develop workers' education further, various provinces, municipalities, and autonomous regions such as Liaoning, Shandong, Zhejiang, Jiangxi, Nei Monggol, Shanghai, and Tianjin and the Ministries of Communications and Electronics Industry and some other regions, municipalities, and departments have convened meetings of advanced representatives in workers' education to commend the advanced and to mobilize further the initiative of school cadres, teachers, and staff. These meetings have also disseminated in a big way the significance of workers' education, raised the social position of this education, and promoted the building of spiritual civilization.

Sixth, the building of the ranks of workers' education has been stepped up and theoretical study of workers' education has been gradually unfolded.

Following the restoration and development of workers' education, the ranks of workers' education have constantly been expanded. The number of professional teachers in Shandong Province is now 5,700, an increase of more than 100 percent over the figure of the previous year. The figure for Tianjin is 4,843, almost doubling the figure of the previous year and the figure for Jiangsu Province is more than 9,000, 1.6 percent of total workers in the province. In order to improve the theoretical and professional level of teachers, the national workers' education management committee and the State Economic Commission last year organized one-term study classes for workers' education management cadres that were attended by 119 responsible cadres from provinces, municipalities, and autonomous regions and from various ministries and commissions under the State Council who are responsible for workers' education. Through the study of such subjects as basic knowledge of pedagogy and psychology and the characteristics, law, and management method of workers' education and by comparing this knowledge with their work, they have been able to find their shortcomings and consequently they have improved their ideological and theoretical level to become more determined and confident in carrying out their work still better. This move was followed by other provinces such as Shaanxi, Shandong, Heilongjiang, Hunan, Hubei, and Guizhou and by national trade unions and other departments of machine building, the chemical industry, urban-rural construction and environment protection, oil, electronics, and aviation that have consequently set up various sizes and forms of training courses for workers' education cadres when they have their turn for receiving specialized training.

Various places began to pay attention to the improvement of theoretical study of workers' education. Incomplete statistics showed that nine provinces, municipalities, and autonomous regions including Beijing, Tianjin, Shanghai, Guangdong, Sichuan, Fujian, Henan, Ningxia, and Heilongjiang and six regions and cities including Harbin and chemical industrial and commercial departments and units have formed adult education associations or workers' education research associations and published 16 kinds of magazines for adults' and workers' education. There are also a number of people in ordinary institutions of higher learning and academies of social sciences who are active in theoretical study of workers' education. Some have introduced the situations of workers' education in other countries and some others are making preparations for institutes of learning to provide specialized courses through workers' education.

## Current Problems in Workers' Education

In order to carry out workers' education still better in such aspects as ideological work, organization, and planning and measures and to create a new situation for training the whole staff, it is imperative to spare no effort in the following work.

1. Further raise understanding and put workers' education in a prominent position as a strategic key.

The 12th CPC National Congress treated the development of education and science as a strategic key of the general goal for the realization of the socialist modernization program. Consequently, comrades on the economic front have been able to raise their understanding of the importance of workers' education to a new height and they have also realized that in order to develop the national economy we cannot but rely on the development of science and technology. In order to develop technology, it is imperative first of all to have a great number of leading cadres who have acquired specialized knowledge, a great many talented people who have grasped high level modern science and technology and a number of laborers who have scientific and technical knowledge and who are skillfull operators. And to materialize the strategic goal of quadrupling production we must rely mainly on the strength of the 110 million workers (including more than 20 million cadres). But the situation of the current ranks of workers is that their cultural and technical levels are low. There is a serious shortage of scientists and technicians and experienced workers and this situation is seriously contradictory to the aim of developing technology. And to solve this contradiction, we must develop education in a big way and it is particularly imperative to "walk on two legs" and to rely fully on various talents that have been trained through workers' education so as to improve the quality of the ranks of workers. According to precalculation made by the departments concerned, about 14 to 15 million talented people with the level of university graduates or even higher will be required in 10 years for forming the foundation and making preparations for developing the economy in the next 10 years. But the university graduates this term are only about 7 to 8 million, about one-half less than are needed. There are now about 40 million technicians working on the production front across the country and of this figure, 70 percent are technicians below grade three. The technological structure of the ranks of workers is far from being rational and this situation is contradictory to the large-scale technical reform that will be carried out in future. Therefore we must fully understand the strategic positions of workers' education in the socialist modernization program and in our work we must also really understand that this position is a strategic key and put it in a position of primary importance. That is to say, when we are concentrating our effort in production, we must also pay attention to mental investment and do a good job of training talents.

2. Work out or amend the rules and regulations of workers' education so as to meet needs in quadrupling production.

In working out or amending the rules and regulations of workers' education it is necessary to follow these guiding principles: First, proceed from the development of production and construction of each region, department, and unit

and define the requirements for training talents and exploiting mental power with improving economic efficiency as the premise; second, integrate intermediate planning with long-term planning and popularization with advancement so as to meet the needs of production in the first 10 years and to make preparations among the talented for developing the economy in the second 10 years; third, proceed from the reality of enterprises and workers, give consideration to necessity and feasibility, and define the forms and contents of teaching so as to make the best possible achievements. The fourth principle is to give prominence to key aspects and to give training first to the talents that are urgently needed in technical reform, producing new products, and modernizing management. The fifth principle is to make future arrangements to meet the characteristics of long cycles of education and to link training closely with the development of production.

Through a big effort of training in the first 10 years and with the addition of graduates of ordinary schools, the whole economic front should be able, in 1990, gradually to form the ranks of cadres that are sufficient in number to meet the needs in the development of production, that have grasped modern science and technology and knowledge of management and with rational structure and to form the ranks of workers with medium-grade worker-technicians as the main element and with more rational structure of the technical grade. Under this condition, the situation of the ranks of workers in China that are characterized by "three lows and one few" (low cultural level, low technical level, and low management level and few technicians) can be basically changed.

3. Sum up experience and gradually set up a system of workers' education that is in line with economic development and that is more regular.

In his report of the Fifth Plenary Session of the Fifth NPC, Premier Zhao Ziyang mentioned workers' education and pointed out that during the Sixth 5-Year Plan it is necessary "to regularize workers' education more rapidly." The more regular system of workers' education must include the whole staff as the targets for training and they must include leading cadres, technicians, specialized management personnel, and workers of various types; the contents of training must include politics, culture, technology, and management; the structure of grading should include elementary, medium, and advanced grades and with rational proportion; the form of the education is that it must be combined with production and must take various forms with different length periods and with those attending being totally released or half-released from their job or receiving education during spare time.

At the present stage, the system of workers' education has yet to be completed. For example, in the matter of grading, workers' secondary school education is developing slowly and the number of worker-students in polytechnic schools is far less than the number of worker-students in institutes of higher learning and these two types are out of proportion. The work of training high- and medium-grade technical workers has yet to be put on the agenda and the number of high- and medium-level technicians among technician-workers is few. With regard to the targets of training, advanced training for specialized technicians is still a weak link; middle-aged technicians that graduated in the 1950's and 1960's in general felt that their knowledge is outdated and therefore they are

not in a position to meet the needs of the modernization program. With regard to the contents of the training, more attention has to be paid to cultural education of cadres because they have found it difficult to improve their professionalism. A number of problems have to be urgently resolved such as the educational system and the methods of running schools.

Beginning this year, it is necessary to proceed from the needs of economic development and, through defining and amending the related rules and regulations, to take resolute measures to gradually set up and perfect a workers' education system. First, it is necessary to continue to reform and stabilize workers' higher education and to train a number of talents of university level. Second, it is imperative to develop workers' education in a big way and this education must include: 1) workers' polytechnic schools to train medium-level specialized technicians; 2) workers' technical schools where the workers that have made up cultural and technical education will study medium-level technical theory to become medium-level worker-technicians; 3) workers' secondary schools which will train students for workers' colleges and give secondary level cultural education to cadres. Third, grasp well the work of renewing the knowledge of technicians. Fourth, organize short-term training courses of various forms and do a good job of professional and cultural education for cadres of various levels. Fifth, rely on and mobilize the initiative of various aspects in running schools so as to form a complete workers' education network.

Workers' education is part of the whole of education and therefore it must be carried out according to the general law of education. But at the same time, such education represents part of economic work and therefore it has its own characteristics and law. While efforts is being made to establish a more regular workers' education system, we must also learn from successful experiences of other countries in carrying out general education. But what is more important is that we must proceed from reality and carry out workers' education according to its characteristics and law. We cannot, in our effort to regularize workers' education, disregard whether we have the necessary conditions or not and follow or even copy the method of general education.

4. Continue to do a good job of the two key parts of cadres' training and making up cultural and technical knowledge among your workers.

The training of leading cadres and fine young cadres must be mainly centered on studying management and special knowledge. The training must also be integrated with enterprise reform and reorganizing of leading groups so that the education level of leading cadres of the big and medium enterprises will be gradually raised to college level and that of small enterprises will be gradually improved to the polytechnic level.

This year is vital for completing the task of making up the cultural and technical knowledge of young workers. This kind of education must be expanded in a big way and the rate of qualification must be increased. In education to make up cultural knowledge, effort must be made this year so that 15 to 25 percent of those attending will be up to qualification level, with accumulation rate as high as 30 to 50 percent. Technical education must be carried out in coordination with cultural education and they must be expanded as quickly as possible and effort must be made so as to be able really to make achievements.

In order to do a good job of making up cultural and technical education, it is imperative to follow the guiding ideology of "proceeding from reality and carrying out the education in different ways according to the different levels of students; integrating study with practice and paying attention to efficiency; making unified arrangement and giving prominence to key points." We must in no way "cut with one knife" and follow formalism. The process of making up cultural and technical knowledge must be quickened under the premise of guaranteeing the quality of education.

Young workers that have met the requirements in making up cultural and technical knowledge must, in time, be given secondary technical education. Various regions and departments must consider how to develop secondary technical education as an important subject and, on the basis of summing up the existing experiences, they must gradually form a relatively complete method.

#### 5. Gradually regularize the training of economic cadres' schools.

In order to build the ranks of cadres that are revolutionary and young and that have acquired knowledge and professionalism, economic cadres' schools at various levels must give short-term training and gradually turn to regular training as the main method, so as to meet the needs of the socialist modernization program. Therefore it is necessary to proceed from the specific conditions of cadres' schools, to carry out reform resolutely, in an overall and orderly way, and systematically. Such subjects as targets of enrollment, study systems, courses facilities, examination and graduation records must be regularized and systematized.

The basic tasks for such schools must include training enterprise leading cadres in basic theory of Marxism-Leninism-Mao Zedong Thought and specialized knowledge so as to improve the ability of their leading work and management and to turn them into fine economic management talents with morality and professionalism. The classes must be mainly divided into three categories: 1) Training classes. Their purpose is to train reserve personnel for enterprise leading cadres and the students of this class are current employees around 40 years old and the term of study is in general 2 to 3 years. 2) Advanced classes. Their purpose is to organize leading cadres to study the necessary management courses, with a period of about 6 months for each term. 3) Teachers' classes. The purpose is for provincial and departmental cadres' colleges to train teachers for cadres' schools of various levels. Cadres' schools at various levels must teach four subjects that include Marxist-Leninist basic theory, scientific and cultural knowledge, professional basic knowledge, and management specialization. About 70 to 80 percent of total study hours must be devoted to the latter two subjects.

Build the ranks of teachers that are sufficient in quantity and complete in professions and with a higher standard; compile teaching materials of a quality up to the requirement of the cadres at various levels in their study and these materials must be relatively stabilized. This situation is vital for realizing regular cadres' education guaranteeing the quality of education, and running cadres' schools well. The departments concerned must take effective measures and be active in solving this question.

6. Staff training must be combined with enterprise reform.

It is an important aspect of enterprise reform to train workers in a planned way, by stages and in groups, and in turn so as to improve their political ideology, culture, and technology. But at the moment there are a number of enterprises that still do not pay attention to this work and they do not include workers' education on the agenda yet. Some enterprises have regarded the building of training centers as nothing but a way for arranging the old, weak, disabled, and surplus staff; some cadres who are responsible for workers' education also do not pay much attention to enterprise reform. These situations must be corrected this year. Leading departments and the departments that are responsible for workers' education at various levels must take the opportunity of reforming enterprises, take an active attitude and work out planning for staff training in line with the reform so that they will help smooth the accomplishment of enterprise reform and promote workers' training on a wider scale.

The situation of the enterprises that are the first to carry out reform show that the following four links must be grasped in integrating the reform with staff training: First, continue with the setting up and perfecting of the economic responsibility system, define the requirements of workers' education, announce the requirements to all lower levels so that they can be implemented by workshops, teams, and individuals, and link these requirements with workers' economic interests; second, integrate with the reform of labor organization, define the number of students, study various study forms by proceeding from production organization, and define the proportion of those to be released from work for receiving the training and the hours needed for training; third, integrate with enterprise management reform, step up the building of the organizations that are specially responsible for workers' education and do a good job of experimenting on training centers; fourth, integrate with the checking and accepting of enterprise reform, define the standards for examining and accepting the results of workers' education; the departments that are responsible for workers' education must take part in checking and accepting the reform of key enterprises so as to do a good job of checking and accepting; workers' education that is below standard must not be accepted.

In order to create a new situation for the socialist modernization program in an overall way, it is demanded that the broad masses of cadres and workers on various fronts of various trades carry out their study conscientiously so as to improve their political, cultural, technical, and professional levels. Various regions and departments must strengthen their leadership over workers' education and pay attention to and study and solve the new problems of workers' education that have cropped up in reform work on the economic front.

CSO: 4006/724

## TRANSPORTATION

### BRIEFS

XINJIANG RAILROAD LINE--The Urumqi-Hejing railroad was opened to traffic on 1 July and passengers can go to South Xinjiang from Urumqi by train from that date. The railroad service is operated every other day. The operation of this service has strengthened contacts between northern and southern Xinjiang and is beneficial to political, economic, and cultural exchanges between Urumqi and Bayingolin Mongol Autonomous Prefecture. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 6 Jul 83 HK]

XINJIANG AIRPORT PROJECT--A new building of the Aksu Civil Aviation Station, part of the station's airport project, was recently completed and was put into operation on 22 June. The airport project will include an aircraft parking area, a waiting hall, a control tower, a restaurant, a lounge, and an office. This project has been designed and has been built by the first agricultural division's construction department. After the completion of this project, large civil aviation passenger planes can take off and land at this airport. [Summary] [HK211454 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 6 Jul 83 HK]

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END